

U.S. Department of Transportation | Office of Inspector General

# SEMIANNUAL REPORT TO CONGRESS

**APRIL 1, 2014 - SEPTEMBER 30, 2014**



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# FROM THE INSPECTOR GENERAL

I am pleased to present the Department of Transportation (DOT) Office of Inspector General's Semiannual Report to Congress for the second half of fiscal year 2014. Our audits and investigations support the Department's strategic goals of safety, livable communities, economic competitiveness, environmental sustainability, and state of good repair. Over the past 6 months, we issued 97 audit reports with a total of 297 recommendations, including financial recommendations totaling almost \$21 million. Our investigative work resulted in 24 indictments, 25 convictions, and a total of almost \$29 million in fines, restitutions, and recoveries.

Our aviation work this period continued to identify opportunities to improve safety and achieve savings in the Federal Aviation Administration's (FAA) management of the Nation's airspace—especially regarding FAA's voluntary disclosure program and productivity initiatives for air traffic controllers, runway safety technologies, and integration of unmanned aircraft. Additionally, our team of economists constructed econometric models to confirm that reductions in airline competition have increased flight delays and cancellations. We also remain committed to protecting U.S. investments in FAA's multibillion-dollar Next Generation Air Transportation System and to ensuring the future viability of the National Airspace System. Our investigations continued to aggressively pursue individuals who compromise aviation safety by illegally piloting aircraft, performing unauthorized aircraft inspections, and falsifying aircraft parts records and repairs.

Our surface transportation work identified areas where action is needed to ensure safety on our highways. In recent congressional testimony, I noted how our investigative efforts can help lead to strong sanctions against automotive companies that withhold critical safety data, citing our work in the criminal probe of Toyota, which intentionally concealed information on vehicle defects from the National Highway Traffic Safety Administration (NHTSA). Our investigators also pursued companies and individuals who endanger safety by illegally transporting or disposing hazardous materials, violating imminent hazard out-of-service orders, participating in commercial driver's license test-taking schemes, or falsifying driver drug test results. To protect taxpayer dollars, our investigations continued to target and capture individuals intent on defrauding the Government—including those

involved in the largest disadvantaged business enterprise (DBE) fraud in DOT history. Our Most Wanted Fugitives Web page has also paid dividends, particularly in the capture of a criminal who, based on our investigative evidence, had been indicted for withholding delivery of household goods to extort higher fees from unsuspecting customers.

Our surface transportation audits similarly found opportunities to enhance safety and improve program management by strengthening the Pipeline Hazardous Materials Safety Administration's oversight of the State pipeline safety program, enhance NHTSA's oversight of highway safety grants, and improve the Federal Highway Administration's workforce planning processes. Our audits also identified ways to improve participation in a Federal Railroad Administration program that helps finance rail infrastructure projects.

Finally, our audits continue to identify significant vulnerabilities in DOT's information technology portfolio and its acquisitions and procurements. Ongoing security threats and risks to the Department's information technology systems—both departmentwide and within specific programs, including air traffic control—remain a significant concern. Our audits identified opportunities to increase the reliability of the Department's improper payments reports, enhance controls over

6  
months

\$28.7M

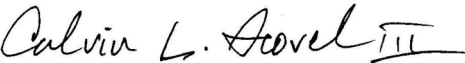
in fines, restitution,  
and recoveries

\$20.9M

in financial  
recommendations

travel cards, and improve oversight and management of Washington, DC's, Union Station. Ensuring effective management of DOT's acquisitions to maximize value and program performance remains a top management challenge for the Department. Our acquisition and procurement audits have also examined the barriers that new DBE firms face to obtain work at the Nation's largest airports.

Our work continues to reflect our commitment to fully inform Congress, the Department, and the public of pressing transportation concerns and to aggressively pursue individuals intent on putting the public at risk. I commend and thank our hard-working staff for their outstanding efforts and dedication to our critical mission. I would also like to thank Secretary Foxx for his strong leadership. I look forward to continuing to work with the Secretary, his team, and the modal administrators to provide Americans with a safe transportation system that meets the national objectives of general welfare, economic growth and stability, and security.



Calvin L. Scovel III

October 29, 2014

97

297

24

25

audit reports  
issued

recommendations

indictments

convictions

# AVIATION

OIG's aviation work emphasizes safety and economy through audits of air traffic control operations, acquisition and modernization of assets, program oversight, and customer service, and through investigations of counterfeit and substandard aircraft parts, falsified maintenance records, and fraudulent pilot and mechanic certifications.





# AUDITS AND INVESTIGATIONS

## AVIATION

### Audits

**April 8, 2014**

#### FAA OVERSIGHT IS INADEQUATE TO ENSURE PROPER USE OF LOS ANGELES INTERNATIONAL AIRPORT REVENUE FOR POLICE SERVICES AND MAXIMIZATION OF RESOURCES

Requested by Chairman Tom Latham, House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies; Congressman Gary Miller; Congressman Dan Lungren; and Congressman Elton Gallegly

Los Angeles International Airport (LAX) generated nearly \$822 million in airport revenues and received nearly \$45 million in FAA grants in 2012. The Federal Aviation Administration (FAA) is responsible for overseeing the use of such funds to ensure airports such as LAX meet Federal obligations to use airport revenue for airport-only purposes and maximize self-sustainability to decrease airports' reliance on Federal grant funds. Amid allegations of revenue diversion at LAX, we were asked to assess FAA's oversight of Los Angeles World Airports (LAWA), an independent department of the City of Los Angeles that operates LAX.

FAA's oversight of its grant funds was inadequate to prevent LAWA from using more than \$8 million in LAX revenues and funding without documentation to support these charges. About \$7.87 million was used for services provided by the Los Angeles Police Department (LAPD)—over \$360,000 in administrative grant charges and approximately \$192,000 on unauthorized LAPD personnel working at LAX. In addition, LAWA could not demonstrate that it met Federal requirements to be as self-sustaining as possible in establishing rental rates for its non-aeronautical land leases. In particular, three of the leases we reviewed were below fair market value estimates. In one case, LAWA missed up to approximately \$558,000 in potential rental income. We also detected about \$49 million in financial reporting discrepancies between the amounts LAWA reported in its statutorily required annual financial reports to FAA and its internal financial reports. According to LAWA, the discrepancies were due, in part, to data integrity issues.

We made six recommendations to improve FAA's oversight of airport revenue and self-sustainability. FAA concurred with five recommendations and partially concurred with one. FAA provided reasonable planned actions and timeframes for all six.

# Audits

**April 9, 2014**

## LETTER RESPONDING TO ALLEGATIONS OF REVENUE DIVERSION CONCERNING LOS ANGELES POLICE DEPARTMENT PERSONNEL AT LOS ANGELES WORLD AIRPORTS

Requested by Chairman Tom Latham, House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies; Congressman Gary Miller; Congressman Dan Lungren; and Congressman Elton Gallegly

FAA is responsible for providing oversight to ensure airports meet Federal obligations regarding the use of airport revenue. Our Office of Investigations, Complaint Center Operations, asked FAA to conduct an inquiry into allegations of revenue diversion by LAWA, which operates LAX. In its memorandum of findings, FAA concluded that LAWA's overtime payments to LAPD officers, length of assignments for LAPD officers, and decisions to deploy higher paid LAPD officers did not constitute revenue diversion. We concur that LAWA possesses the authority to determine how it deploys security personnel and may use LAPD officers to meet its security needs, even if those officers work overtime or cost more than their LAWA counterparts.

LAPD officers deployed to LAX, however, may not charge LAWA for duties unrelated to the airport. In its memorandum, FAA found instances of such

revenue diversion. According to the memorandum, the lack of adequate detail contained in the records FAA received from LAWA prevented FAA from quantifying the full extent of LAPD's off-airport duties. Given our concern about potential revenue diversion, we conducted an inquiry into the use of airport revenues at LAX and issued a separate report of our findings: *FAA Oversight Is Inadequate To Ensure Proper Use of Los Angeles International Airport Revenue for Police Services and Maximization of Resources.*

**April 10, 2014**

## FURTHER ACTIONS ARE NEEDED TO IMPROVE FAA'S OVERSIGHT OF THE VOLUNTARY DISCLOSURE REPORTING PROGRAM

Required by the FAA Modernization and Reform Act of 2012

FAA's Voluntary Disclosure Reporting Program (VDRP) helps FAA identify and mitigate safety issues by providing air carriers the opportunity to report and correct areas of non-compliance without civil penalty. The FAA Modernization and Reform Act of 2012 mandated that our office examine FAA's oversight of VDRP to ensure the program is not misused.

FAA has made progress in ensuring that air carrier disclosure reports meet VDRP requirements, but the Agency lacks awareness of the root causes that led

# Audits

to reported violations—in part because FAA does not require air carriers to identify or document the root cause of a violation when they submit a self-disclosure. Furthermore, FAA does not ensure that air carriers fully implement corrective actions or verify whether the actions are adequate to resolve problems. We also found that FAA does not effectively collect, analyze, and trend VDRP data to identify safety risks at the national level. As a result, FAA inspectors are not realizing the full potential of VDRP data to target inspections to areas of highest risk.

We made eight recommendations to improve FAA's VDRP oversight and its ability to identify safety risks using VDRP data. FAA concurred with seven of our recommendations and partially concurred with one.

**April 23, 2014**

## REDUCTIONS IN COMPETITION INCREASE AIRLINE FLIGHT DELAYS AND CANCELLATIONS

Required by the FAA Modernization and Reform Act of 2012

Since 2005, the U.S. airline industry's service quality—airlines' on-time performance and cancellation rates—has varied greatly. Considerable industry consolidation has also occurred since 2005, with three mergers involving six major carriers. The FAA Modernization and Reform Act of 2012 required our office to assess the effects of limited airline

service options on the frequency of delays and cancellations.

To isolate the effects of limited competition on service quality from those of other factors such as congestion and weather, we constructed econometric models using data on 2,530 domestic routes flown by 20 airlines from the fourth quarter of calendar year 2005 through the fourth quarter of calendar year 2012. The models estimated the effects of competition on the length of arrival delays, the percentage of total flights that were late, and the percentage of total flights that were cancelled.

Our models showed that variation in airline service quality substantially related to changes in the level of competition within airline markets. We estimated that when a market's service options shrank from three equal-sized airlines to two, the average minutes of delay in the market increased by over 25 percent, and the flight cancellation rate increased by nearly 7 percent. We also found that the degree to which competition affected service quality depended on initial levels of competition. Following a reduction in competition, markets that started out fairly competitive experienced the greatest increase in delay length, and those that started out with fairly limited service options experienced the greatest increase in the cancellation rate.

We made no recommendations in this report.

## IN FOCUS

# OIG's Econometric Models Confirm That Reduced Competition Increases Airline Flight Delays and Cancellations

The U.S. airline industry's service quality—as measured by airlines' on-time performance and cancellation rates—has varied greatly since 2005. Between 2005 and 2012, monthly shares of late domestic flights fluctuated between 11 and 33 percent, while monthly cancellation rates ranged from less than 1 percent to over 5 percent. These delays and cancellations affect a large number of flights. In 2012, 1 percent of domestic flights equaled almost 61,000 flights.

Mergers between Delta and Northwest in 2008, United and Continental in 2010, and American and US Airways in 2013 raised questions about a possible relationship between the quality of airline service and industry consolidation. However, prior studies of airlines and competition primarily focused on the effects of a reduction in competitors on ticket prices. To fill this information gap, Congress requested that we assess the effects of limited airline service options on the frequency of delays and cancellations at the route level.

To conduct our assessment, we constructed econometric models using data on 2,530 U.S. mainland routes flown by 15 major carriers and 5 national airlines

from the fourth quarter of calendar year 2005 through the fourth quarter of calendar year 2012. These econometric models allowed us to estimate the effect of changes in competition on the length of arrival delays, the percentage of late flights, and the percentage of flights that were cancelled. Moreover, the models allowed us to assess these effects separately from other factors that affect service quality, such as weather and congestion.

Our models showed that changes in the level of competition within airline markets substantially affected airline service quality. Specifically, when airline markets became less competitive, the length of flight delays, the percentage of late flights, and cancellation rates all increased. Further, the effects of reduced competition on both the average length of flight delays and average cancellation rates were highly statistically significant and sizeable. We estimated that when a market's service options shrank from three airlines to two, the length of delays in the market increased by 25.3 percent on average. In addition, we estimated that a market that went from being served by three airlines to two also experienced nearly a 7 percent

increase in the flight cancellation rate on average due to the loss of competition. The initial level of competition in a market determined whether the impacts on delay lengths and cancellations were greater or less than average. We estimated that when a market started out fairly competitive, reduced competition significantly increased the lengths of delays, but it did not substantially affect delay lengths in a market that started out with little initial competition. Conversely, following a similar reduction in competition, we estimated

that passengers in markets initially served by few airlines experienced a greater increase in the cancellation rate than passengers in markets initially served by many airlines.

Our work has drawn considerable attention from both policymakers and airline industry experts. Our modeling allowed us to confirm a relationship between airline industry competition and the service quality changes on large numbers of flights, which affects a much larger number of passengers.

# Audits

**June 12, 2014**

## WEAK PROCESSES HAVE LED TO A BACKLOG OF FLIGHT STANDARDS CERTIFICATION APPLICATIONS

Requested by Congressman Cory Gardner

Each year, hundreds of commercial air carriers, aircraft repair stations, pilot schools, and other entities apply to FAA for certificates authorizing them to operate in the National Airspace System (NAS). FAA's Denver Flight Standards District Office (FSDO) and other FAA field offices face a significant backlog of new aviation certification applications. At the time of our review, there were 42 applicants on the waiting list for certification at the Denver FSDO—one of the longest waitlists in the country. In addition, as of October 2013, there were more than 1,000 entities nationwide awaiting certification. Several factors have contributed to the Denver FSDO backlog, including an ineffective process for prioritizing and tracking new certificate applications, competing priorities, and continually changing guidance from Headquarters.

We made four recommendations to improve the efficiency and effectiveness of FAA's Flight Standards certification process. FAA concurred with all four recommendations.

**June 17, 2014**

## FAA FACES SIGNIFICANT OBSTACLES IN ADVANCING THE IMPLEMENTATION AND USE OF PERFORMANCE-BASED NAVIGATION PROCEDURES

Requested by the Chairman of the House Committee on Transportation and Infrastructure and the Chairman and Ranking Member of the Subcommittee on Aviation

To enhance capacity and reduce delays at our Nation's congested airports, FAA is implementing Performance-Based Navigation (PBN) flight procedures, which can potentially provide significant near-term benefits such as improved on-time aircraft arrival rates and greater fuel savings. However, airline representatives have expressed concerns with the lengthy process for developing and implementing new PBN flight procedures. In 2010, FAA's NAV Lean Project—an FAA-conducted study of its internal processes for developing and implementing flight procedures—established 21 recommendations to streamline FAA's policies and processes for new procedures.

FAA has deployed PBN procedures and has key projects under way, including adding new procedures at 13 major metropolitan areas. However, use of high-value procedures remains low, particularly at busy airports such as those in the New York City area. Several obstacles hinder FAA's efforts to increase implementation and use

# Audits

of PBN procedures, including outdated controller policies, the lack of standard training for pilots and controllers, and the lack of automated controller tools. In addition, the NAV Lean Project has not met stakeholder demand for improved flight procedure development processes. FAA has completed 9 of the 21 NAV Lean recommendations and is making progress on the remaining ones. However, some of the most complex recommendations remain, and industry will not get NAV Lean's full benefits until FAA implements all recommendations, currently planned for September 2015.

We made three recommendations to help FAA mitigate barriers to PBN implementation and expedite the development of new procedures. FAA concurred with all three recommendations.

**June 19, 2014**

## FAA IS NOT EFFECTIVELY MANAGING AIR TRAFFIC CONTROLLER MID-TERM BARGAINING AGREEMENTS

Self-initiated

FAA's management of its air traffic controller workforce—one of the Agency's largest cost drivers—depends on effective coordination and

negotiation with its labor union, the National Air Traffic Controllers Association (NATCA). In March 2012, FAA and NATCA agreed to extend their existing collective bargaining agreement (CBA) until July 2016.

Our review found that FAA incurred unanticipated costs and remains at risk of further cost increases primarily due to two provisions in the 2012 CBA extension: (1) mid-term bargaining and (2) pay-setting rules. Although both provisions serve legitimate purposes, FAA's ineffective management of these provisions resulted in several costly mid-term bargaining agreements between the Agency and NATCA. In addition, FAA's internal controls have been ineffective, in part because FAA has not followed its established policies to control costs. For example, of the 40 national negotiations between FAA Headquarters and NATCA since 2009, only 1 received a required budget analysis. Because FAA has not followed its internal control policies, the total number of mid-term agreements and their true cost impact remains unknown.

We made four recommendations to improve FAA's management and oversight of the provisions of the 2012 CBA extension. FAA concurred with all four recommendations.



# Audits

**June 25, 2014**

## PROGRESS AND CHALLENGES IN MEETING EXPECTATIONS FOR NEXTGEN

Testimony Before the Senate Commerce, Science, and Transportation Subcommittee on Aviation Operations, Safety, and Security

The Assistant Inspector General for Aviation Audits testified that FAA has implemented or is on target to implement more than half of the 24 provisions in the FAA Modernization and Reform Act of 2012 related to the Next Generation Air Transportation System (NextGen). However, the Agency has yet to meet provisions intended to accelerate the development of critical NextGen technologies. He noted that FAA's inability to meet these provisions is due to underlying programmatic challenges, such as the lack of an executable plan, unresolved technical issues, and ineffective collaboration with industry.

In addition, he stated that FAA remains in the early stages of responding to recommendations about NextGen priorities that were made by the NextGen Advisory Committee (NAC) in September 2013. Consistent with our work, NAC confirmed the importance of PBN. However, obstacles such as a lack of updated controller policies and procedures make it uncertain when users can expect PBN benefits.

Finally, the Assistant Inspector General stated that FAA continues to face technical, cost, and schedule

risks with its efforts to modernize or replace air traffic control automation systems that are fundamental to achieving NextGen benefits.

**June 26, 2014**

## FAA OPERATIONAL AND PROGRAMMATIC DEFICIENCIES IMPEDE INTEGRATION OF RUNWAY SAFETY TECHNOLOGIES

Self-initiated

Between fiscal years 2011 and 2013, the number of runway incursions at U.S. airports increased 30 percent, despite slight declines in air traffic operations during that time. To detect potential runway conflicts, air traffic controllers at major airports use FAA's Airport Surface Detection Equipment-Model-X (ASDE-X). FAA has made runway safety a key oversight priority and plans to upgrade ASDE-X and integrate two runway systems with ASDE-X to improve safety: the Runway Status Lights (RWSL) system and the satellite-based Automatic Dependent Surveillance-Broadcast (ADS-B).

The RWSL program, which uses ASDE-X data, has experienced operational and technical issues, and FAA rebaselined the program last summer, significantly increasing costs, reducing the number of planned systems, and delaying program completion. Further, it remains unclear when or how ADS-B will enhance pilots' situational



# Audits

awareness on the runway. Specifically, FAA has not determined whether it can provide pilots with ADS-B information displayed in the cockpit and has halted efforts to use ADS-B to provide pilots with direct alerts of potential ground collisions. Finally, FAA's planning documents for implementing runway safety technologies lack key details on priorities, timing, and accountability. Without a clear roadmap, it will be difficult to achieve and measure a new level of technology or standard for runway safety.

We made three recommendations to aid FAA's efforts to integrate surface surveillance technologies and promote runway safety. FAA concurred with two recommendations and partially concurred with one. We requested additional information for two of the recommendations.

**June 26, 2014**

## FAA FACES SIGNIFICANT BARRIERS TO SAFELY INTEGRATE UNMANNED AIRCRAFT SYSTEMS INTO THE NATIONAL AIRSPACE SYSTEM

Requested by the Chairmen and Ranking Members of the Senate Commerce Committee and the House Transportation and Infrastructure Committee and their Aviation Subcommittees

FAA forecasts there will be roughly 7,500 active Unmanned Aircraft Systems (UAS) in the United

States in 5 years. Concerned with the progress of integrating UAS into the NAS, Congress established specific UAS provisions and deadlines for FAA in the FAA Modernization and Reform Act of 2012.

Although FAA is taking steps to advance UAS operations, significant technological barriers remain in achieving safe integration largely because current UAS have a limited ability to detect and avoid other air traffic. In addition, FAA has not established a regulatory framework for UAS integration, such as aircraft certification requirements, standard air traffic procedures, or an adequate controller training program. FAA is also not effectively collecting and analyzing UAS safety data or managing its oversight of UAS operations. Furthermore, the Agency is significantly behind schedule in meeting most of the UAS-related provisions in the FAA Modernization and Reform Act, including the August 2014 milestone for issuing a final rule on small UAS operations. These delays are due to unresolved technological, regulatory, and privacy issues and will ultimately prevent the Agency from meeting Congress's September 2015 deadline for achieving safe UAS integration.

FAA concurred with our 11 recommendations to enhance the effectiveness of its efforts to safely integrate UAS into the NAS. Based on FAA's response, we requested additional information or revised responses for five recommendations.

## IN FOCUS

# Integrating Unmanned Aircraft Systems Into the National Airspace System Remains a Significant Challenge for FAA

**F**AA expects that within 5 years, roughly 7,500 UAS will be active in the United States, and that over the next 10 years, worldwide UAS investment will total more than \$89 billion. This potential investment represents an immense economic opportunity for the United States. However, safely integrating UAS into the NAS presents a significant challenge for FAA—in part because unmanned aircraft vary widely. They can be smaller than a radio-controlled model airplane or have wingspans as large as a Boeing 737. They also serve an array of civil purposes, such as enhancing border security, monitoring forest fires, and aiding law enforcement, as well as having potential commercial use, such as food and package delivery.

To safely integrate UAS into the NAS, FAA will need to resolve a number of significant technological, regulatory, and management challenges:

- **Developing technology standards.** Despite years of working together, FAA and the aviation industry have not reached consensus on standards for technology that would enable UAS to detect and avoid other aircraft and ensure reliable data links between ground stations and the unmanned aircraft they control.
- **Establishing a regulatory framework.** FAA has not established a regulatory framework for UAS integration, such as aircraft certification requirements, standard air traffic procedures for safely managing UAS with manned aircraft, or an adequate controller training program for managing UAS-integrated airspace.
- **Identifying risks.** FAA has not developed procedures for ensuring that all UAS safety incidents are reported and tracked or a process for sharing UAS safety data with the Department of Transportation (DOT), the largest UAS user.
- **Overseeing UAS operations.** Although FAA established a UAS Integration Office, it has not clarified lines of reporting or established clear guidance for regional inspectors on authorizing and overseeing UAS operations.

To accelerate UAS's safe integration into the NAS, Congress enacted the FAA Modernization and Reform Act of 2012, which included specific UAS provisions and deadlines. While FAA has fully addressed 9 of the act's 17 UAS provisions—including selecting six test sites, publishing a UAS roadmap, and developing a comprehensive

plan outlining FAA's UAS plans in the near- and long-term—the Agency missed the statutory milestones for most of these provisions.

FAA is making some progress on the remaining eight UAS provisions but is significantly behind schedule in meeting most of them—including the ultimate goal of achieving safe integration by September 2015. Notably, FAA's issuance of a Notice of Proposed Rulemaking on small UAS operations is more than 3 years behind schedule, due largely to unresolved technological, regulatory, and privacy issues. As a result, FAA missed the August 2014 milestone for issuing the final rule. In the meantime, industry demands for the technology are dramatically growing as FAA misses these deadlines.

Several industries—including agriculture, filmmaking, and pipeline inspection—recently petitioned FAA for exemptions to operate commercially ahead of the final rule, with the movie industry receiving its exemption in September.

Now is the time—while UAS operations remain limited—for FAA to act on our recommendations to collect and analyze UAS safety data; better manage its oversight through the UAS Integration Office; and establish performance, air traffic control, and certification standards to regulate UAS use. As FAA works to manage UAS integration, we will continue to review its policies and procedures to ensure the safest possible integration of this emerging technology.

# Audits

**July 9, 2014**

## FAA LACKS THE METRICS AND DATA NEEDED TO ACCURATELY MEASURE THE OUTCOMES OF ITS CONTROLLER PRODUCTIVITY INITIATIVES

Requested by the Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation

FAA employs more than 15,000 air traffic controllers. Between fiscal years 2000 and 2012, total air traffic operations in the NAS declined by 23 percent. However, in the same timeframe, the number of air traffic controllers remained relatively constant, and controller costs increased. This has raised concerns about whether controllers are remaining as productive as possible during a period of reduced air traffic.

Since 1998, FAA has implemented 51 initiatives intended to increase controller productivity, reduce operating costs, and improve training and hiring practices. However, according to FAA, only two of these initiatives resulted in measurable cost savings totaling approximately \$4.5 million, while six initiatives actually increased Agency costs. In addition, FAA has been unable to demonstrate the results of many controller productivity initiatives largely because it has missed opportunities to assess their effectiveness. Notably, the Agency did not establish detailed baseline metrics or quantifiable cost and productivity goals for 43 (84 percent) of its

51 initiatives. In addition, FAA does not systematically collect or analyze controller workforce data to reduce cost or improve productivity.

FAA concurred with our five recommendations to improve the effectiveness of its controller productivity initiatives and data collection at air traffic control facilities.

**August 14, 2014**

## MANAGEMENT ADVISORY ON WEAKNESSES WITH SITE-SPECIFIC DEPLOYMENT REQUIREMENTS AND SPECIALIST TRAINING FOR STARS

Self-initiated

FAA is deploying the Standard Terminal Automation Replacement System (STARS) at 11 large terminal facilities to modernize the systems air traffic controllers use to manage traffic. In May 2013, we reported that STARS deployment was at a significant risk of cost and schedule overruns largely due to unstable software requirements.

Following the issuance of our report, we conducted an in-depth review of a hotline complaint we received regarding STARS's deployment at the first site, the Dallas-Fort Worth Terminal Radar Approach Control (TRACON) facility. This review prompted us to look further into FAA's progress in implementing the program. We issued this management advisory

# Audits

to alert FAA to ongoing cost and schedule risks. Notably, FAA has yet to stabilize STARS software requirements—a recommendation we made in our 2013 report. Further, FAA has not determined the site-specific capabilities needed or when they will be implemented. Finally, questions about the adequacy of FAA’s training and certification of technical operations specialists raise concerns about the Agency’s management of STARS deployment.

**September 11, 2014**

## ADS-B BENEFITS ARE LIMITED DUE TO A LACK OF ADVANCED CAPABILITIES AND DELAYS IN USER EQUIPAGE

Requested by the Chairman and Ranking Member of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies and in accordance with the FAA Modernization and Reform Act of 2012

ADS-B technology is expected to allow FAA to transition from ground-based radar to a satellite-based system for managing air traffic—central to FAA’s NextGen goals. However, in 2010, we reported that FAA faces significant risks and challenges in finalizing ADS-B’s technical requirements, managing its cost and schedules, and encouraging airspace users to equip with ADS-B avionics.

FAA recently completed ADS-B’s ground infrastructure with the deployment of 624 ground radio stations in

April 2014. However, controller and pilot use of ADS-B throughout the NAS remains years away, in part because FAA has yet to resolve significant hazards identified during operational testing or conduct more rigorous testing of the entire system. Moreover, while ADS-B will provide some useful services—particularly in areas with no radar coverage—the system’s initial capabilities and benefits are limited. According to FAA, airspace users will gain the most benefits with the advanced capabilities of ADS-B *In*, which is expected to provide pilots with enhanced merging and spacing capabilities for airport arrivals. However, requirements for ADS-B *In* capabilities continue to evolve, creating significant challenges for certifying and equipping users with ADS-B avionics. Finally, the total cost and timeline to implement ADS-B and provide benefits for FAA and airspace users remain uncertain. FAA has increased its cost estimates for the total program by approximately \$400 million and continues to adjust expected ADS-B benefits. As a result, FAA’s costs for the current ADS-B program now outweigh the potential benefits to users, and risks of further cost and schedule increases remain.

We made six recommendations to ensure ADS-B is operationally suitable, safe to deploy in the NAS, and a viable program. FAA generally concurred with all but one of the recommendations. All recommendations will remain open and unresolved until FAA provides specific information on its planned actions and completion dates, as requested in our draft report.

# Audits

**September 25, 2014**

## MANAGEMENT LIMITATIONS MAY HINDER FAA'S ABILITY TO FULLY IMPLEMENT AND ASSESS THE EFFECTIVENESS OF ITS RUNWAY SAFETY INITIATIVES

Requested by the Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation

Runway safety is a critical concern for FAA due to the risks associated with operating aircraft, ground vehicles, and pedestrians in a confined space at considerably different speeds. Although the U.S. commercial aviation industry is experiencing one of the safest periods in its history, several high-profile runway safety incidents—known as runway incursions—have occurred. The Ranking Member of the House Transportation and Infrastructure

Subcommittee on Aviation requested that we examine FAA's Runway Safety Program and actions underway to improve safety.

FAA has implemented 8 of the 11 initiatives in its 2007 Call to Action Plan for Runway Safety, as well as several other national-level initiatives. However, FAA began reorganizing the Runway Safety Group in 2011, and nearly 3 years later it remains in flux. FAA also lacks a baseline for measuring its progress in improving runway safety. In 2012, FAA revised the reporting process for runway incursions, which FAA indicates has increased the reporting of such events. However, the lack of metrics makes it uncertain if this represents an increase in the number of actual events.

To reverse the trend of the recent rise in runway incursions, we made five recommendations aimed at improving the effectiveness of FAA's Runway Safety Program.

# Investigations

**May 12, 2014**

## FLORIDA MAN SENTENCED FOR MAKING FALSE STATEMENTS TO FAA AND ILLEGALLY PILOTING AN AIRCRAFT

The U.S. District Court, Orlando, FL, sentenced Reginald Sibley to 12 months confinement, 24 months of supervised release, and 25 hours of community service for making false statements to FAA and flying as a pilot in command of a Gulfstream aircraft without a valid airman certificate. As a special condition of supervised release, Sibley was also ordered to refrain from engaging in any employment related to piloting commercial aircraft.

To be certified, applicants are required to undergo annual medical examinations to determine medical fitness as a pilot. On June 1, 2009, Sibley stated on his FAA airmen medical certificate application that he did not have a criminal history, when in fact he had at least three criminal convictions. The investigation also revealed that on October 8, 2009, Sibley piloted a Gulfstream aircraft that departed from the Orlando Executive Airport and landed in California. After landing, Sibley claimed to an FAA representative that he was rated to fly the Gulfstream. FAA informed Sibley it had no record of his rating for this kind of aircraft and recommended Sibley not continue to fly the aircraft. Sibley disregarded FAA and proceeded to board passengers onto the aircraft and fly to another location. The investigation confirmed Sibley was not authorized or rated to fly the Gulfstream aircraft.

We investigated this case with assistance from FAA.

**May 14, 2014**

## FORMER FLYING TIGERS OFFICIAL SENTENCED IN PENNSYLVANIA FRAUD CASE INVOLVING FALSE AIRCRAFT INSPECTIONS

Joel Stout, of Elizabethtown, PA, was sentenced in U.S. District Court, Philadelphia, PA, to 60 months probation and 60 hours of community service. Stout, an FAA-certified airframe and powerplant (A&P) mechanic and former employee of Flying Tigers Inc., previously pleaded guilty to criminal charges related to his participation in a complex fraud scheme involving unauthorized aircraft inspections. Joel Stout's father, Jay Stout, the president of Flying Tigers, was convicted of numerous counts after a 9-day jury trial in Philadelphia. Joel Stout provided substantial cooperation to the prosecution and testified at the trial on the Government's behalf.

The investigation revealed that in 2003, FAA suspended Jay Stout's authority to conduct aircraft inspections and ultimately in 2004, revoked his A&P certification and his inspection authorization certification. Joel Stout, former director of operations at Flying Tigers did not hold FAA inspection authority past March 2006. The prosecution proved that at various times between October 2003 and January 2010, Flying Tigers charged customers for the annual inspections of their aircraft despite the absence of a certified mechanic with inspection authority. The 6-year aviation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries to conceal their actions. Once Jay Stout learned of



## Investigations

the Government's investigation, he altered aircraft logbooks to conceal the false certifications. Flying Tigers conducted more than 100 questionable aircraft inspections and repairs between 2003 and 2010 involving over 40 aircraft.

Howard Gunter, a former FAA inspector also charged in the scheme, recently died of natural causes prior to the trial.

We conducted this investigation with assistance from FAA.

### July 10, 2014

#### CENTRAL FLORIDA AIRCRAFT MECHANIC PLEADS GUILTY TO FRAUDULENT AIRCRAFT REPAIRS

Clive Ure, Leesburg, FL, pleaded guilty in U.S. District Court, Orlando, FL, to falsifying airworthiness documentation for a Cessna 337 propeller. Ure, a certified FAA A&P mechanic and owner of Aircraft Maintenance & Repair, Leesburg, FL, made fraudulent representations and sold an unairworthy propeller to a customer in Oregon via eBay. Prior to selling the propeller, an FAA-certified repair station informed Ure that the propeller was no longer safe for flight. However, Ure used another repair station's information to falsify a logbook entry and approved the propeller for return to service.

As a result of the plea agreement, Ure was required to divest himself of any interest in his business and not to engage in any other business related to

maintenance, repair, or the sale of aircraft or aircraft parts. Ure also agreed to pay restitution, in an amount to be determined, to two additional entities for failure to properly overhaul aircraft engines.

This investigation was conducted with assistance from FAA.

### July 11, 2014

#### FORMER WECO OWNER SENTENCED FOR FRAUDULENT AIRCRAFT PART REPAIRS

William Weygandt, former owner and president of WECO Aerospace Systems Inc., was sentenced in U.S. District Court, Eastern District of California, to 30 months in prison and 36 months supervised release. In November 2013, a Federal jury found Weygandt guilty of conspiracy to commit fraud involving aircraft parts repair.

According to evidence presented at trial, WECO—an FAA-certified repair business with facilities in Lincoln and Burbank, CA—was permitted by FAA to repair certain types of aircraft parts, including starter generators and converters, used on various types of aircraft, such as small helicopters used by tour companies and law enforcement agencies. However, evidence at trial established that WECO employees at both its Lincoln and Burbank repair stations regularly failed to follow FAA regulations in repairing and overhauling the aircraft parts, and falsely certified the parts passed tests and had been repaired in accordance with FAA standards.



# Investigations

**July 23, 2014**

## SOUTHERN CALIFORNIA COMPANY SENTENCED FOR FRAUD INVOLVING AIRCRAFT PARTS

VJ Engineering Inc. (VJE), Garden Grove, CA, was sentenced in U.S. District Court in Santa Ana, CA, to 2 years probation and ordered to pay \$100,000 for prosecution costs and over \$186,000 in restitution to a commercial aircraft parts manufacturer and DOD.

On March 31, 2014, VJE pleaded guilty to committing fraud involving commercial and military aircraft parts. VJE submitted certificates that falsely claimed aircraft parts conformed to FAA- and DOD-approved requirements, specifications, and drawings. According to the commercial aircraft parts manufacturer, the parts were structural and carried flight and emergency loads. If the parts failed, objects could have loosened during a landing or crash and caused injuries.

We conducted this investigation with the Defense Criminal Investigative Service, the Department of Homeland Security (DHS), the Federal Bureau of Investigation (FBI), and the Army Criminal Investigation Division (CID).

**July 24, 2014**

## SYRACUSE SUBURBAN AIRPORT CO-OWNER CHARGED AND CONVICTED FOR CONSPIRACY TO COMMIT BANK FRAUD

David Pizio, an owner of Syracuse Suburban Airport (SSA), Hastings, NY, was charged and pleaded guilty in U.S. District Court, Syracuse, NY, to conspiring to defraud a commercial bank of approximately \$222,000 in connection with FAA airport property development grants.

SSA purchased 93 acres in Hastings, NY, designated by FAA to be a reliever airport for Syracuse International Airport. Between 2004 and 2009, SSA received five FAA grants totaling \$2.97 million to plan and develop the reliever airport. SSA established a line of credit from First Niagara Bank through which loan proceeds, reimbursable by the FAA grants, were to be used solely for airport expenditures. Pizio and co-conspirators devised a scheme to submit false and fraudulent invoices to First Niagara Bank for the release of loan proceeds to purportedly pay for airport equipment when, in reality, approximately \$125,000 was diverted to an unrelated real estate project in Texas and approximately \$97,000 was diverted to an unrelated bean company, owned by a co-conspirator in upstate New York.

We are conducting this investigation with the FBI.

# Investigations

**August 8, 2014**

## FORMER FAA EMPLOYEE PLEADS GUILTY TO PROVIDING FALSE STATEMENTS

Rita Hedlund, former Special Agent, Office of Security and Hazardous Materials, FAA, pleaded guilty in U.S. District Court, Chicago, IL, to false statements relating to a scheme in which she provided false and misleading information to FAA. Hedlund was previously charged on July 22, 2014.

From approximately January 2009 through October 2011, Hedlund falsely represented to FAA that she conducted inspections of certain hazardous material shippers, air carriers, and freight forwarders, when in fact she did not. Hedlund entered false information into FAA's hazmat database indicating she conducted the inspections, including false entities inspected and dates on which those inspections purportedly occurred. Further, she entered false information relating to meetings with companies she claimed to have inspected.

# SURFACE TRANSPORTATION

OIG's surface transportation work emphasizes safety and economy through audits of highway, motor carrier, rail, maritime, pipelines, and hazardous materials safety programs, and economic analysis and surface transportation financing. We also conduct investigations of fraudulent commercial driver's licenses, truck and bus maintenance records, household goods fraud schemes, contracting and anti-trust violations, and disadvantaged business enterprise fraud, as well as illegal packaging, transportation of hazmat, and criminal violations of pipeline safety laws and regulations.



# AUDITS AND INVESTIGATIONS

## SURFACE TRANSPORTATION

### Audits

**April 2, 2014**

#### IDENTIFYING AND INVESTIGATING VEHICLE SAFETY DEFECTS

Testimony Before the Senate Commerce, Science, and Transportation Subcommittee on Consumer Protection, Product Safety, and Insurance

The Inspector General testified on the National Highway Traffic Safety Administration's (NHTSA) efforts to identify and investigate vehicle safety defects and the status of NHTSA's actions to address major weaknesses we reported in 2011. He noted that while NHTSA has implemented more robust processes in response to our recommendations, the effectiveness of these new processes will depend on how NHTSA's Office of Defects Identification (ODI) uses and applies them when conducting defect analyses and investigations. The Inspector General also noted that NHTSA has yet to complete a workforce assessment for determining the number and most effective mix of ODI staff. Finally, the Inspector General discussed how the Office of Inspector General's (OIG) investigative efforts can help lead to strong sanctions against companies that withhold critical safety data from NHTSA. Most recently, OIG investigators participated in the criminal probe of Toyota, which forfeited \$1.2 billion for intentionally concealing information on vehicle defects from NHTSA.

**May 7, 2014**

#### PHMSA'S STATE PIPELINE SAFETY PROGRAM LACKS EFFECTIVE MANAGEMENT AND OVERSIGHT

Self-initiated

The Nation's network of approximately 2.5 million miles of pipelines moves millions of gallons of hazardous liquids and 55 billion cubic feet of natural gas every day. The Pipeline and Hazardous Materials Safety Administration (PHMSA) authorizes States to oversee and enforce operators' compliance with Federal pipeline safety regulations through its State Pipeline Safety Program. PHMSA also allocates grants to State programs. Following an explosion in San Bruno, CA, which involved an intrastate natural gas pipeline, the National Transportation Safety Board (NTSB) found weaknesses in PHMSA's oversight of State programs and recommended that DOT assess the effectiveness of PHMSA's oversight of intrastate pipeline safety and whether State programs use Federal grants effectively.

At the Secretary's request, we assessed PHMSA's management and oversight of the State Pipeline Safety Program and determined that program guidelines, policies, and procedures are inadequate to ensure State inspections cover all Federal requirements and pipeline operators maintain safety standards. The guidelines lack an up-to-date staffing formula and detail on States' use of risk factors for scheduling inspections. Further, PHMSA does not require its evaluators to review the adequacy

# Audits

of States' inspection procedures and lacks formal written procedures to guide its triennial reviews of State program expenditures.

PHMSA's oversight of State pipeline safety programs similarly lacks the controls needed to ensure States comply with program evaluation requirements and use all grant funds properly. Lapses in oversight have resulted in undetected safety weaknesses in State programs. Because it has not accounted for these non-compliances, the Agency cannot be sure that States correct program deficiencies. Furthermore, PHMSA has not provided States with sufficient guidance on suspension funds or completed financial audits of their use.

PHMSA concurred or partially concurred with our seven recommendations to improve its oversight of State pipeline safety programs and grants.

**June 10, 2014**

## PROCESS INEFFICIENCIES AND COSTS DISCOURAGE PARTICIPATION IN FRA'S RRIF PROGRAM

Self-initiated

The Railroad Rehabilitation and Improvement Financing (RRIF) program, established in 1998 and

administered by the Federal Railroad Administration (FRA), provides loans and guarantees to railroads to finance rail infrastructure projects. At the time of our review, FRA had issued 33 RRIF loans totaling roughly \$1.7 billion—less than 5 percent of the program's \$35 billion spending limit—raising concerns that a lengthy application process and associated costs may contribute to this low participation rate.

Application processing delays were due, in part, to inadequate guidance on RRIF's eligibility criteria and application requirements and ineffective pre-application meetings, which resulted in incomplete applications. Multiple reviews also contributed to delays. Before a loan's terms can be finalized, it has to be reviewed by FRA, its independent financial analyst, the DOT Credit Council, and the Office of Management and Budget (OMB). Because of these sequential reviews, FRA did not meet RRIF's requirement to review and render decisions on completed applications within 90 days. Passenger and large freight railroads informed us that the program's unclear process and uncertain timeframes for final decisions outweighed program benefits and deterred them from applying. FRA concurred with our five recommendations to improve the RRIF loan application process.

# Audits

**June 19, 2014**

## FHWA'S WORKFORCE PLANNING PROCESSES GENERALLY ALIGN WITH BEST PRACTICES, BUT SOME COMPONENTS ARE INCONSISTENTLY IMPLEMENTED OR LACK MAP-21 CONSIDERATION

Self-initiated

The Federal Highway Administration (FHWA) maintains a workforce of about 2,900 staff distributed among Headquarters offices, 52 Division Offices, and other field offices across the country. In recent years, Congress and the Administration have called on Federal agencies to improve accountability in their operations and ensure efficient use of resources, including their workforces. The Moving Ahead for Progress in the 21st Century Act (MAP-21) also established new requirements for FHWA. Given these requirements and growing demands on FHWA's workforce, we reviewed FHWA's processes for assessing its workforce needs.

FHWA's workforce planning processes generally align with best practices identified by the Government Accountability Office (GAO). However, FHWA lacked consistent, detailed workforce plans across individual offices. FHWA's offices also did not consistently interpret employee survey results—critical tools to identify and address workforce and human resource issues. In addition, despite the

significant changes MAP-21 brought to FHWA's programmatic structure and requirements, such as program consolidations, FHWA has not conducted a comprehensive assessment of MAP-21's impact on its workforce. Without further actions to ensure consistency and assess MAP-21's impact, FHWA has less assurance that it has assessed workforce gaps at all levels and identified plans to address them.

We made four recommendations to help FHWA improve individual office workforce plans, promote interpretation of employee survey results, and evaluate the impact of MAP-21 on its workforce. FHWA concurred with two recommendations and partially concurred with two.

**July 17, 2014**

## PHMSA HAS ADDRESSED MOST WEAKNESSES WE IDENTIFIED IN ITS SPECIAL PERMIT AND APPROVAL PROCESSES

Self-initiated

PHMSA regulates about 1 million transports of hazardous materials a day under its Hazardous Material Regulations (HMR). In 2009 and 2010, we reported on weaknesses in PHMSA's processes for granting special permits and approvals and made recommendations for improving the effectiveness of PHMSA's oversight of hazmat transport safety. We conducted this audit to assess PHMSA's progress in addressing those weaknesses.

## Audits

PHMSA implemented standard operating procedures (SOP) and addressed weaknesses that we found during our previous audit work. The SOPs describe processes for assessing the fitness of entities applying for special permits and approvals and evaluating measures for achieving safety levels required by the HMR. PHMSA processed all sampled special permit applications and most sampled approval applications in accordance with the SOPs. However, files for several applications for explosives classification approvals lacked evaluation forms that document the reasons for technical officers' safety recommendations. PHMSA took steps during our audit to address this internal control weakness. The Agency also appropriately coordinates applications with other Operating Administrations based on SOP criteria; strengthened its oversight of third-party agencies that inspect cylinder applicants, test explosives, and certify hazmat packaging on PHMSA's behalf; and improved the information technology that supports its special permit and approval processes. However, PHMSA has delayed implementation of one system, the Portal, because of issues with a module for processing special permit applications.

PHMSA concurred with our two recommendations to improve its internal controls and effectively use the Portal.

**August 21, 2014**

### ENHANCED MONITORING TOOLS ARE NEEDED TO IMPROVE NHTSA'S OVERSIGHT OF HIGHWAY SAFETY GRANTS

Self-initiated

To help reduce fatalities, injuries, and economic losses resulting from motor vehicle crashes, NHTSA awards formula and incentive grants to States to conduct a wide range of highway safety programs. NHTSA's regional offices play an important role in monitoring States' and sub-grantees' use of grant funds. While NHTSA grantees in Region 5, the regional office we focused our audit work on, generally met key Federal grant requirements, the Agency lacks strategies for addressing delayed expenditures of grant funds and targeting higher risk grantees. In addition, NHTSA does not sufficiently track grantee deficiencies identified in its regional offices' triennial management reviews or have sufficient tools to identify and mitigate systemic nationwide issues. NHTSA generally concurred with our four recommendations.

# Audits

**August 21, 2014**

## FHWA HAS NOT FULLY IMPLEMENTED ALL MAP-21 BRIDGE PROVISIONS AND PRIOR OIG RECOMMENDATIONS

Requested by the Ranking Member of the House Committee on Transportation and Infrastructure

Since 2006, we have issued 3 reports with 16 recommendations for FHWA to improve oversight of States' bridge programs. In July 2012, MAP-21 changed bridge safety requirements and funding uses and instituted new performance and accountability requirements for bridges on the National Highway System.

FHWA completed 12 of 24 actions it identified to implement MAP-21 bridge safety and funding provisions. Of the actions in progress, two rulemakings regarding asset management and performance management are behind schedule and may delay States' implementation of key performance and accountability requirements by at least 1 year later than specified in MAP-21. Further, FHWA has yet to fully address four open recommendations from our prior reports that focus on collecting bridge expenditure data, reporting on States' actions to improve the condition of deficient bridges, and collecting more detailed condition data for all bridges on public roads so FHWA can better monitor nationwide bridge conditions and identify safety risks. We made five new recommendations to update or clarify guidance, establish target action

dates, and include information in a required report to Congress. FHWA generally concurred with our recommendations.

**September 16, 2014**

## NHTSA'S OVERSIGHT OF VEHICLE SAFETY DEFECTS AND HIGHWAY SAFETY GRANTS

Testimony Before the Senate Commerce, Science, and Transportation Subcommittee on Consumer Protection, Product Safety, and Insurance

The Deputy Principal Assistant Inspector General for Auditing and Evaluation testified on our recent and ongoing work on NHTSA's oversight of vehicle safety defects and highway safety grants. The testimony focused on NHTSA's efforts to identify and secure an effective vehicle safety workforce and enhance its grant oversight. Specifically, he noted that NHTSA's ODI has made progress in strengthening its investigative processes but has not completed a workforce assessment. He also noted that ongoing vehicle safety concerns—particularly those related to General Motors' (GM) recalls—prompt further assessment of NHTSA's vehicle safety defect processes. Finally, the Deputy Principal Assistant Inspector General discussed how enhanced monitoring tools are needed to improve NHTSA's oversight of highway safety grants.



# Audits

**September 16, 2014**

## FTA'S NATIONAL TRANSIT DATABASE: DATA USED FOR ALLOCATING TRANSIT GRANTS WERE GENERALLY SUPPORTED

Self-initiated

In fiscal year 2014, the Federal Transit Administration (FTA) distributed \$4.3 billion to urbanized areas, States, and territories through its largest grant program, the Urbanized Area Formula Program. All recipients and beneficiaries of these formula grants are required to report operating expense and transit service characteristics (such as annual miles traveled or number of passengers) to FTA through its National Transit Database (NTD). FTA uses NTD and Bureau of Census data as a basis for distributing about Urbanized Area Formula grant funds annually.

We initiated this audit to assess FTA's oversight of the NTD to determine whether recipients of Urbanized Area Formula grants submit complete, accurate, and timely data to the NTD. Specifically, we assessed whether (1) the documentation provided by transit agencies supported information used to allocate Urbanized Area Formula funding and (2) FTA had oversight controls and guidance for transit agencies' NTD reporting. We found that all 15 transit agencies in our sample provided support for data on operating expenses. For data on transit service characteristics, 4 of the 15 agencies had minor weaknesses in documentation. While FTA has implemented a range of controls to oversee transit agencies' NTD reporting, it does not have a systematic process to ensure consistent follow up on recurring NTD data problems identified in its annual reviews. FTA concurred with all three recommendations we made to enhance the Agency's oversight controls and guidance for NTD reporting.

# Investigations

**April 2, 2014**

## HOUSEHOLD GOODS MOVING COMPANY OPERATIONS MANAGER SENTENCED FOR “LOW-BALL” ESTIMATE SCAM

Asaf Nass, operations manager of AY Transport Inc., a household goods moving company located in San Jose, CA, was sentenced in U.S. District Court, San Jose, CA, to 18 months incarceration and 3 years of supervised release in connection with a household goods moving scheme. He was also ordered to pay restitution to be determined at a later date.

Our investigation disclosed that AY participated in a “low-ball estimate” scheme with National Moving Network (NMN), a household goods broker located in Miami, FL. NMN estimators artificially quoted customers low estimates to move their household goods and then referred a majority of the moves to AY. Upon taking custody of a customer’s goods, AY employees raised the price, typically at Nass’ direction. The increased fees for release of the goods sometimes totaled two to three times the amount of the original bid provided by NMN. If customers refused to pay the fees, their goods were sometimes held in storage lockers, and occasionally, Nass instructed AY employees to sell the customers’ goods at auction. On February 26, 2014, Randy Goldberg, former owner and president of NMN, was sentenced in U.S. District Court, San Jose, CA, to 18 months incarceration, followed by 1 year of supervised release.

We conducted this investigation jointly with the FBI and IRS Criminal Investigation (IRS-CI) with assistance from the Federal Motor Carrier Safety Administration (FMCSA).

**April 3, 2014**

## CONNECTICUT CONSTRUCTION COMPANY AGREES TO PAY \$2.4 MILLION FOR DBE FRAUD

Manafort Brothers Inc., a construction company based in Plainville, CT, agreed to pay \$2.4 million as part of a civil settlement agreement with the U.S. Attorney’s Office in New Haven, CT, in connection with its role in a disadvantaged business enterprise (DBE) pass-through scheme. A non-prosecution agreement was also reached with Manafort to resolve the company’s corporate criminal liability.

This investigation was initiated upon a referral from the Connecticut Department of Transportation and the Connecticut Division of FHWA. The investigation revealed that Manafort used a DBE subcontractor as a pass-through entity on the federally funded \$40-million Route 72 relocation project in Bristol, CT.

Manafort and FHWA have also entered into an administrative/compliance agreement wherein additional administrative sanctions will not be initiated in consideration of Manafort’s agreement to independent monitoring and the institution of a corporate compliance program.

This case was jointly investigated with the FBI and Department of Labor OIG.

# Investigations

**April 4, 2014**

## FORMER RADIOGRAPH TECHNICIAN SENTENCED TO PROBATION FOR VIOLATING PIPELINE SAFETY LAW

Edna Stoner, a former Acuren Inspection Inc. Level II Radiograph Technician, was sentenced in U.S. District Court, Urbana, IL, to 3 years probation and ordered to pay a \$5,400 fine for submitting false statements on documentation associated with pipeline safety testing.

Stoner was responsible for conducting non-destructive testing of pipeline welds and interpreting and reporting the results of tests on a portion of the Rockies Express Pipeline. The results of the testing included the weld numbers, whether the pipeline weld radiographs (a type of x-ray) were acceptable or rejected, and other technical data about the process. The results were recorded on reader sheets, which were maintained by the pipeline owner as required by PHMSA. Stoner falsely stated on reader sheets that all pipeline welds had been radiographed and tested at the compressor station in Blue Mound, IL, when they had not. Stoner also mislabeled the radiograph film to give the impression that multiple pipeline welds had been radiographed when she had only tested one.

This investigation was conducted with the Department of Justice (DOJ) Environmental Crimes Section, with assistance from PHMSA.

**April 16, 2014**

## FORMER BRIDGE INSPECTOR SUSPENDED BY THE FEDERAL HIGHWAY ADMINISTRATION

FHWA suspended and proposed the debarment of Barry Purnell in response to charges filed against him by the State of Connecticut. Purnell was charged with larceny related to the falsification of his education and engineering credentials that were furnished to engineering firms in order to gain employment. Purnell subsequently worked as a bridge inspector on multiple American Recovery and Reinvestment Act (ARRA) and State-funded construction projects.

In March 2014, based on our investigation, Purnell surrendered to the Connecticut Chief State's Attorney's office. The investigation determined that while seeking employment, Purnell had falsified his application materials to various engineering firms to include his engineering certifications and college education. In a December 2013 interview with case agents, Purnell acknowledged falsifying his application materials and fabricating his college diploma.

*Note: Exclusion actions (suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to find whether a company is currently excluded.*

# Investigations

**April 29, 2014**

## BIODIESEL COMPANIES AND MANAGERS INDICTED FOR ILLEGAL TRANSPORTATION AND DISPOSAL OF HAZARDOUS WASTE

New Energy Fuels and NEF Partners, along with their manager Dean Daniels and assistant manager Richard “Ricky” Smith, were indicted in Harris County District Court, Houston, TX, for the illegal transportation of a hazardous waste, illegal disposal of a hazardous waste, and discharging a hazardous waste into State water.

New Energy Fuels and NEF Partners are companies involved in the production of biodiesel from used grease and oil. On May 1, 2011, at the direction of Daniels and Smith, a driver transported a tanker truck containing a corrosive waste from New Energy Fuels and disposed of the waste by discharging it into Vogel Creek.

We are investigating this case with the Environmental Protection Agency (EPA) CID, Houston Police Department, and Harris County District Attorney’s Office.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**May 1, 2014**

## CHICAGO CONSTRUCTION COMPANY TO PAY \$12 MILLION TO SETTLE CONTRACT FRAUD CLAIMS

James McHugh Construction Company Inc., a Chicago, IL, based construction company, agreed to pay the United States and the State of Illinois \$12 million to resolve allegations of fraud on Government programs designed to benefit women- and minority-owned subcontractors under the terms of a civil settlement. The contractor, McHugh Construction, allegedly failed to abide by Federal and State requirements for DBE participation on seven publicly funded highway and transit contracts between 2004 and 2011.

In a separate administrative settlement and compliance agreement, McHugh Construction agreed to implement a corporate compliance program, appoint a compliance officer, and be subject to an independent monitor for 3 years. In exchange, Federal, State, and City of Chicago transportation agencies agreed not to bar McHugh Construction from future Government contracts. The 3-year administrative monitoring settlement and compliance agreement was reached between McHugh Construction and DOT, FTA, FHWA, the Illinois Department of Transportation, and the City of Chicago.

*Note: The settlement is neither an admission of liability by McHugh Construction nor a concession by the Federal and State Governments that their contentions are not well founded, and McHugh Construction expressly denies the claims.*

## Investigations

**May 9, 2014**

### OWNER OF HOUSEHOLD GOODS COMPANY SENTENCED TO PRISON AND TO PAY RESTITUTION TO VICTIMS

Yaron Roni Levin was sentenced in U.S. District Court, Denver, CO, to 33 months confinement and 36 months supervised release, and ordered to pay restitution in the amount of \$92,161.51 to 19 victims of household goods moving fraud. Levin was also ordered to have no involvement with household goods moving businesses for the time he is incarcerated and on supervised release.

Levin, the owner of Movers USA/Golden Hand Movers, admitted to luring customers with extremely low moving estimates, then fraudulently inflating the price of transportation. When customers refused or were unable to pay, Levin refused delivery and often threatened to auction their household goods until the inflated price was paid. Levin routinely doubled quoted estimates for an average increase of \$2,000 to \$5,000; some victims were charged as much as \$10,000 over the initial estimates.

This investigation was part of OIG's Operation Boxed Up—a national investigative initiative to locate, identify, and prosecute interstate household goods movers who are defrauding consumers.

We investigated this case with the FBI with assistance from FMCSA.

**May 22, 2014**

### MAN PLEADS GUILTY IN CONNECTION WITH FRAUDULENT CDL TEST-TAKING SCHEME

Jose Payano pleaded guilty in U.S. District Court, Brooklyn, NY, to mail fraud in connection with an investigation of a widespread fraudulent commercial driver's license (CDL) test-taking scheme. The investigation revealed that fraudulent CDL test-taking activities took place at five Department of Motor Vehicle (DMV) test centers in the New York City area. Payano participated in the scheme by facilitating the exchange of testing materials between a CDL applicant and an external test taker. CDL applicants paid facilitators between \$1,800 and \$2,500 in return for CDL exam answers and escort assistance through DMV processes. Other fraud schemes identified during the investigation include the use of pencils with miniaturized test answers encoded in them and the use of a Bluetooth headset to relay CDL test answers.

On September 25, 2013, Payano and 10 other subjects were arrested in connection with this matter and subsequently charged.

We are conducting this investigation with assistance from DHS, New York Police Department, New York City DMV Investigations, New York State Attorney General's Office, and New York State OIG.

# Investigations

**May 29, 2014**

## GEORGIA MAN SENTENCED FOR VIOLATING AN FMCSA IMMINENT HAZARD OUT-OF-SERVICE ORDER

Calvin Outlaw was sentenced in U.S. District Court, Macon, GA, to conspiracy to violate an imminent hazard out-of-service order issued by FMCSA. Outlaw was sentenced to 10 months incarceration followed by 1 year supervised release.

The imminent hazard out-of-service order against Lewis was issued following an October 2008 fatal crash that killed seven in Alabama. Lewis was ordered to cease all operations. Our investigation determined that Outlaw violated the imminent hazard out-of-service order by driving trucks for Lewis Trucking Company, knowing that the company was operating under the order.

This investigation was conducted with assistance from FMCSA and the Georgia Department of Public Safety.

**June 4, 2014**

## FORMER ILLINOIS POLICE COMMANDER PLEADS GUILTY TO EMBEZZLEMENT CHARGE

Timothy J. Veit, former police commander, Des Plaines Police Department, Des Plaines, IL, pleaded guilty in U.S. District Court, Chicago, IL, to one count of embezzlement relating to a scheme to defraud a NHTSA-funded program. Veit pleaded guilty to embezzling and knowingly converting NHTSA grant funds for his use and for the use of others.

Veit was responsible for certifying department compliance with NHTSA's participation requirements. Our investigation determined that from approximately 2009 through 2012, Veit made false statements in reports that concealed the police department's failure to meet the requirements of federally funded impaired driving enforcement campaigns. Veit reported that 152 under-the-influence arrests were made during 2009 through 2012, when in fact only 30 arrests were made. This inflation resulted in the department receiving approximately \$183,984 in Federal reimbursement for overtime compensation. This compensation was used to pay numerous police officers including Veit. Veit personally received about \$31,915 in overtime payments.

# Investigations

**June 23, July 17, July 22, and August 4, 2014**

## FORMER EXECUTIVES OF BOGGS PAVING INC. ENTER INTO PLEA AGREEMENTS

According to the indictment, from at least 2003 through October 2013, Boggs Paving Inc. obtained tens of millions of dollars of construction contracts funded by DOT by fraudulently certifying that Styx Cuthbertson Trucking, a certified DBE, performed several millions of dollars of hauling-type work. In reality, the majority of the work was performed by Boggs and other non-DBEs.

To create the appearance that Styx Cuthbertson performed the work and received the payments, it is alleged that Boggs deposited the payments into a bank account owned by Styx Cuthbertson but controlled by Boggs. The respective funds were then paid back to Boggs and its affiliates.

The following Boggs managers and executives entered guilty pleas in U.S. District Court, Charlotte, NC:

- Arnold Mann, former project manager; Gregory Tucker, former vice president; and Gregory Miller, vice president, pleaded guilty to conspiracy to commit wire fraud and mail fraud against the United States on June 23, July 22, and August 4, 2014, respectively.
- On July 17, 2014, Kevin Hicks, former chief financial officer, pleaded guilty to conspiracy to commit money laundering against the United States.

**June 25, 2014**

## TEXAS MAN PLEADS GUILTY AND IS SENTENCED FOR HOUSEHOLD GOODS MOVING FRAUD

Jovan Balknight pleaded guilty in a household goods moving fraud scheme and was sentenced in Harris County, TX, to 2 years in jail and ordered to pay \$22,204 in restitution.

Between May 2009 and January 2012, Balknight, along with others, lured customers into doing business with various moving companies by offering extremely low moving estimates. After taking possession of customers' household goods, the price was significantly increased, and delivery of their goods was withheld until they paid the fraudulently inflated price. In addition, customers were threatened that if they refused to pay, their household goods would be auctioned.

After being on the run for nearly 2 years, Balknight was arrested in Philadelphia, PA, after being featured on OIG's Most Wanted Fugitives Web page.

We conducted this investigation with the Houston and Austin, TX, Police Departments, with assistance from FMCSA.



# Investigations

**June 30 and July 14, 2014**

## FORMER PENNSYLVANIA CONSTRUCTION COMPANY PRESIDENT SENTENCED TO 7 YEARS IN JAIL AND CEO SENTENCED TO 4 YEARS IN JAIL FOR THEIR ROLES IN THE LARGEST DBE FRAUD IN DOT HISTORY

On June 30, 2014, Joseph W. Nagle, former president of Schuylkill Products Inc. (SPI), was sentenced in U.S. District Court, Harrisburg, PA, to 84 months imprisonment and ordered to pay fines totaling \$27,600 for his role in the largest reported DBE fraud in DOT history. On July 14, 2014, Ernest G. Fink, former chief executive officer (CEO) and co-owner of SPI and vice president of SPI and its wholly-owned subsidiary CDS Engineers Inc., was sentenced in U.S. District Court, Harrisburg, PA, to 51 months imprisonment and ordered to pay fines totaling \$25,100 for his role in the scheme.

The investigation revealed that Nagle, Fink, and others defrauded DOT's DBE program for more than 15 years, involving more than \$136 million in highway transportation contracts. SPI and CDS used Marikina Construction Corporation, a Connecticut

highway construction company, as a shell DBE corporation to obtain DBE subcontracts for bridge beam installation projects with the intention of having SPI and CDS employees perform, manage, control, and supervise the beam installations. SPI and CDS officials fraudulently prepared business documents on Marikina letterhead and used a Marikina payroll account to pay a CDS supervisor and work crew. The officials paid Marikina a fixed fee for the use of its name in obtaining the DBE contracts.

In April 2012, after a 4-week trial, a Federal jury found Nagle guilty on 26 charges, including 1 count of conspiracy to defraud DOT and commit wire and mail fraud, 7 counts of wire fraud, 6 counts of mail fraud, 1 count of conspiracy to commit money laundering, and 11 counts of money laundering.

Romeo Cruz, former owner of Marikina, received 33 months incarceration. CDS associates Timothy Hubler and Dennis Campbell were sentenced to 33 and 24 months incarceration respectively. In addition, Cruz, Hubler, and Campbell were ordered to collectively pay \$119 million in restitution.

The investigation was conducted jointly with the FBI, the Department of Labor OIG, and IRS-CI, with substantial assistance from FHWA.



## Investigations

**July 8, 2014**

### OWNER OF MOTOR CARRIER DRUG TESTING COMPANY PLEADS GUILTY TO FALSIFYING TEST RESULTS

Elizabeth “Betsy” Pope, owner of Eastgate Laboratory Testing, Loudon, TN, pleaded guilty in U.S. District Court, Pittsburgh, PA, to mail fraud. Pope was previously indicted for mail fraud related to a scheme to defraud several Pittsburgh-area commercial motor carrier vehicle drivers and employers.

Between 2008 and 2012, Pope used the signature of a medical review officer who had not worked for Eastgate since June 2005 to certify Eastgate test results. Our investigation revealed that Eastgate conducted drug testing for commercial vehicle operators and various trucking companies located in Pittsburgh. Because Eastgate served as a third-party administrator to oversee FMCSA-regulated testing, FMCSA and the commercial vehicle operators relied on the drug test reports to demonstrate compliance with Federal regulations.

**July 10, 2014**

### PENNSYLVANIA MAN PLEADS GUILTY TO HAZARDOUS MATERIALS VIOLATIONS

Raymond George, owner of George Welding & Supply (GWS) in Montoursville, PA, pleaded guilty to illegally transporting hazardous materials.

George admitted that from January 2001 through January 2012, he fraudulently certified that GWS properly tested cylinders containing hazardous gases. GWS was not authorized to test cylinders, but George applied false markings in the form of illicit requalifier identification numbers (RIN) to the cylinders. He then leased the cylinders, and GWS either transported or allowed others to transport the falsely stamped cylinders. The suspect cylinders contained hazardous gases including argon, acetylene, carbon dioxide, helium, nitrogen, and oxygen.

The investigation determined that George illegally stamped RINs on compressed gas cylinders without having PHMSA-required registration and certification. He illegally used RINs that were issued by PHMSA to multiple registered and certified companies across the United States.

# Investigations

**July 14, 2014**

## FORMER LOGISTICS MANAGER SENTENCED FOR FALSE STATEMENTS CONCERNING HAZARDOUS MATERIALS SHIPMENTS

Ryan Thomas, former Logistics Manager, CES Environmental Services, was sentenced in U.S. District Court, Beaumont, TX, to 12 months probation and ordered to pay a \$500 fine and serve 100 hours of community service for falsifying shipping documents related to the transportation of hazardous materials.

Thomas produced manifests that indicated that three tanker truckloads of wastewater originated from CES's Houston plant when, in fact, they were produced and shipped from CES's Port Arthur (PACES) plant. The PACES location was placed on a moratorium after a November 3, 2008, accident in which a CES driver was overcome by vapors released during the offloading of wastewater. The disposal facility placed the moratorium on all loads of wastewater from the PACES location until the cause of the accident could be identified and new inbound load testing protocols were agreed to.

We conducted this investigation with EPA CID. DOJ Environmental Crimes Section assisted with the prosecution of this case.

**July 15, 2014**

## TENNESSEE CONTRACTOR SENTENCED FOR THEFT OF FEDERAL FUNDS

Michael W. Young, Clermont, FL, was sentenced in U.S. District Court, Nashville, TN, to 2 years in prison for stealing \$974,000 from federally funded State roadway projects and for laundering funds derived from that crime. He was also ordered to pay over \$221,000 to the State of Tennessee as restitution, which is the balance of stolen funds that were not previously recovered from Young.

From 2004 to 2012, Young was employed as a contract agent for the State of Tennessee to purchase property rights of way for road expansion projects planned by the Tennessee Department of Transportation (TDOT), with funding provided by the United States. Upon advising TDOT that a property owner was agreeable to sell a right of way, Young would receive a check from TDOT in the amount required for the transaction. Young admitted that starting in 2004, instead of using these funds to buy property for the State, he diverted the funds and used them for personal and business expenses. To cover his tracks, he would use funds from subsequent right-of-way transactions to pay for previous transactions. He admitted doing this until 2012 when an audit disclosed the thefts.

We conducted this investigation with the FBI and IRS-CI, with assistance from TDOT Internal Audit Division.

## Investigations

**July 23, 2014**

### FHWA ASSISTANT DIVISION ADMINISTRATOR ARRESTED AND CHARGED WITH FALSE STATEMENTS AND MAIL FRAUD

Lawrence F. Cullari, Jr., Assistant Division Administrator of FHWA's New Jersey Division, was arrested in his FHWA office and charged in U.S. District Court, Newark, NJ, with false statements and mail fraud.

According to the criminal complaint, Cullari is accused of using a straw company to obtain FHWA grant funds, which he oversaw as a public official. The funds were part of Federal research grants awarded to the Rutgers University Center for Advanced Infrastructure and Transportation and the New Jersey Institute of Technology. Cullari is also accused of falsifying Federal financial disclosure documents by hiding his outside employment and interests.

We are conducting this investigation with criminal investigators from the New Jersey U.S. Attorney's Office.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**July 25, 2014**

### SAN JOSE RESIDENTS CONVICTED IN CONNECTION WITH HOUSEHOLD GOODS FRAUD SCHEME

Wayne Allen, a former salesman for ASAP Relocations Inc., San Jose, CA, pleaded guilty in California Superior Court to participating in a scheme to defraud moving customers. On August 8, 2014, Adalinda Reyna-Mendoza, a former customer service representative and dispatcher, pleaded guilty in California Superior Court to her participation in the scheme.

Allen, Reyna-Mendoza, and other employees, including ASAP's owner, lured moving customers with "low-ball" quotes. Once the moves were in progress, customers were told their furniture and other belongings would be taken to storage unless they paid additional fees for packing and packaging supplies.

We conducted this investigation jointly with the Consumer Protection and Workers' Compensation Units of the Santa Clara County District Attorney's Office, the California Public Utilities Commission, the California Franchise Tax Board, the Alameda and Monterey County District Attorneys' Offices, and the FBI, with assistance from FMCSA.

# Investigations

**August 5, 2014**

## VA COMPANY AND ITS OWNER SUSPENDED BY FHWA FOR SUBMITTING FALSE CLAIMS TO THE VIRGINIA DEPARTMENT OF TRANSPORTATION

FHWA suspended and proposed debarment from participating in federally funded activities for GroundDown Constructors and its owner, Tracey Williams.

The suspension and proposed debarment were based on a civil judgment against GroundDown and Williams for violating the Federal False Claims Act and the Virginia Fraud Against Taxpayers Act. Williams admitted to submitting three falsified invoices and one falsified purchase order to the Virginia Department of Transportation to induce payment on a project in Caroline County, VA.

*Note: Exclusion actions (suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to find whether a company is currently excluded.*

**August 5, 2014**

## FORMER PRESIDENT OF MASSACHUSETTS TRANSIT AUTHORITY OPERATOR CHARGED WITH THEFT

John George, Jr., of North Dartmouth, MA, was indicted in U.S. District Court, Boston, MA, and charged with conspiracy and theft or bribery concerning programs receiving Federal funds. The charges were related to his role as the former president/owner of the Union Street Bus Company (USBC). USCB served as the operator for the Southeastern Regional Transit Authority (SRTA). From approximately 2005 to 2011, SRTA received approximately \$42 million from FTA through grants.

The indictment alleged that from approximately December 2007 to October 2011, SRTA paid USBC over \$1 million to manage and operate the public bus transit service. These funds were used to pay USBC salaries, benefits, and other expenses. The investigation disclosed that George misused Federal funds by directing several employees to perform work on his produce farm during regular working hours. George also caused USBC to pay approximately \$10,000 to a contractor for compensation for performing personal construction work at his residence, including remodeling a kitchen. In approximately 2010, George also inflated his salary by approximately \$200,000 (from \$75,000 to \$275,000) in an attempt to boost his yearly pension payment from SRTA.

## Investigations

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**August 5, 2014**

### LOUISIANA HOUSEHOLD GOODS MOVING COMPANY OWNER CHARGED

Charges were brought against Dunwoodie McDuffie, owner and operator of Mr. Move. McDuffie was charged with conducting interstate household goods moves from February to April 2013, using a revoked U.S. DOT number and without registering for DOT household goods operating authority.

It was alleged that McDuffie operated Mr. Move in the New Orleans, LA, area. He performed both interstate and intrastate household goods moves. Mr. Move was placed out of service by FMCSA on December 3, 2008, for failing to comply with safety review requirements. As a result, Mr. Move did not have operating authority to conduct interstate household goods moves.

The investigation revealed that Mr. Move conducted 17 interstate household goods moves between January 2013 and August 2013, in violation of FMCSA regulations and requirements.

We are conducting this investigation with assistance from FMCSA and the Louisiana State Police.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**August 7, 2014**

### WASHINGTON CONTRACTOR AGREES TO A CIVIL SETTLEMENT RELATING TO DBE FRAUD

IMCO General Construction, a heavy construction company located in Ferndale, WA, agreed to a \$200,000 civil settlement with DOT relating to false claims that were submitted on a federally funded highway project.

According to the settlement agreement, the Government alleged that while working on the federally funded Horton Road Project, IMCO falsely claimed that Aleut, a DBE, completed certain work. In fact, the work was completed by BBK Trucking, a company that was not certified as a DBE. IMCO denies any wrongdoing in connection with the civil settlement.

We conducted this investigation with assistance from FHWA's Office of Civil Rights and the Washington State Department of Transportation's Office of Equal Opportunity.

# Investigations

**August 19, 2014**

## OWNERS OF TENNESSEE TRUCKING COMPANIES PLEAD GUILTY

Dorian Ayache, owner and operator of Three Angels Farms, Lebanon, TN, and Theresa Vincent, owner and operator of Terri's Farm, Murfreesboro, TN—both interstate commercial motor carriers—pleaded guilty in U.S. District Court, Nashville, TN, to violating an imminent hazard out-of-service order issued by FMCSA.

In June 2012, FMCSA determined that the operations of Three Angels Farms posed an imminent hazard to public safety and issued an imminent hazard out-of-service order requiring Ayache to cease commercial motor vehicle operations. The order was issued due to Ayache's unacceptable safety practices, including his failure to adequately maintain his commercial motor vehicles and his failure to ensure drivers were qualified. He was also cited for accidents that occurred in January and June 2012 that resulted in fatal injuries to horses.

Ayache criminally violated the order by continuing his commercial motor carrier operations under the name and authority of Terri's Farm. Subsequently, FMCSA categorized Terri's Farm as a continuation of Three Angels Farm and placed it under an imminent hazard out-of-service order as well.

Ayache also concealed and attempted to destroy emails, and Vincent made false statements

while testifying before a grand jury regarding her communications with Ayache during the investigation.

**August 20, 2014**

## WMATA PAYS MORE THAN \$4.2 MILLION TO RESOLVE FALSE CLAIMS ACT VIOLATIONS

The Washington Metropolitan Area Transit Authority (WMATA) paid the United States \$4.2 million to resolve allegations that WMATA filed false claims in connection with using FTA funds to impermissibly award a contract for a financial management information technology project without using competitive procurement procedures.

In August 2009, WMATA awarded Metaformers Inc., a Virginia-based business, using competitive procedures, a contract valued at approximately \$256,000. The contract was to assess WMATA's financial system. Less than 1 year later, in July 2010, WMATA awarded Metaformers a \$14-million contract to integrate its financial and business systems. WMATA awarded the contract noncompetitively and allegedly without legitimate justification for doing so. WMATA's conduct was allegedly in violation of its certification and commitment to administer the FTA grant funds using full and open competition.

Further, by competitively awarding the smaller assessment contract and then noncompetitively awarding the far more lucrative integration project

## Investigations

to the same contractor, WMATA violated Federal procurement conflict of interest rules and gave one contractor an advantage over others who might have been interested in competing for the integration project.

The settlement resolves a qui tam, or whistleblower, lawsuit filed on behalf of the Government by a former WMATA employee, under the qui tam provisions of the False Claims Act. The act allows private citizens to bring lawsuits on behalf of the United States and share in any recovery obtained by the Government. The whistleblower will receive approximately \$996,000 as a share in the recovery.

We conducted this investigation with the Commercial Litigation Branch of DOJ Civil Division, the District of Columbia U.S. Attorney's Office, with assistance from FTA.

*Note: The claims settled by the agreement are allegations only, and there has been no determination of liability. Additionally, the settlement agreement is not based on any allegation that Metaformers Inc. engaged in any wrongdoing.*

**August 27, 2014**

### PENNSYLVANIA WEAPONS MANUFACTURER FINED \$1.2 MILLION FOR HAZMAT CRIMES

Action Manufacturing, Atglen, PA, was sentenced in U.S. District Court, Philadelphia, PA, to a 5-year term of probation and was assessed a criminal fine of \$1.2 million for the illegal transportation and storage of explosive hazardous materials. In addition, the company agreed to appoint a new president and chief executive officer.

Action previously pleaded guilty to criminal charges that arose from the illegal storage of explosive hazardous waste and the unsafe transportation of explosive materials on public roads without the proper labels, markings, or declarations.

Action produced explosive arming and timing devices for use in munitions and weapon systems, as well as warhead assemblies, detonators, and fuses. Action's manufacturing process generated explosive waste deemed hazardous under Federal law due to the product's characteristics of reactivity.

Action admitted that it illegally stored explosive hazardous waste between 1980 and July 2013 without the required EPA permits. In addition, Action admitted that it transported military-grade explosives without hazardous material shipping papers required by PHMSA.

We conducted this investigation with EPA CID.



# Investigations

**September 24, 2014**

## OWNERS AND DISPATCHER OF KENTUCKY TRUCKING COMPANIES CHARGED WITH WIRE FRAUD, CONSPIRACY, AND EXTORTION

Elliot and Melinda Campbell, owners, and Bryan Napier, dispatcher—all of whom are associated with several trucking companies operating out of Catts Auto Sales, Chavies, KY—were indicted in U.S. District Court, London, KY, on charges of conspiracy, wire fraud, and extortion.

The indictment alleged that between October 8, 2010, and February 7, 2012, the Campbells and Napier conspired to defraud shipping brokers by agreeing to transport the brokered cargo for a certain price, but then holding the cargo and demanding payment before delivery—essentially holding the cargo hostage. In response to the shipping brokers' filing of complaints, the Campbells and Napier organized new trucking companies, used false names, and continued their scheme. They also did not reveal to FMCSA that they were associated with other FMCSA-regulated companies when opening their new trucking

companies, a requirement when applying for new FMCSA operating authority.

We are conducting this investigation with the FBI with assistance from FMCSA.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**September 30, 2014**

## CIVIL JUDGMENT IMPOSED AGAINST FORMER PITTSBURGH BRIDGE CONTRACTOR

A \$50,000 civil judgment was imposed on Matthew Williams, the former owner of Clear Span Construction Products LLC by the U.S. District Court, Pittsburgh, PA, for submitting false claims for bridge-decking products supplied on Federal highway projects. Earlier in September, Williams was sentenced in U.S. District Court, Pittsburgh, PA, to 4 months home confinement and 48 months probation, and ordered to pay \$29,600 in restitution to five professional engineers.



## Investigations

Williams previously pleaded guilty to wire fraud for his role in the falsification of engineering documents related to FHWA-funded construction projects between July 2008 and April 2012. Clear Span manufactured stay-in-place metal bridge deck forms that were placed between either structural steel or pre-stressed concrete bridge girders.

Williams admitted that on multiple occasions and without authorization, he forged or affixed the seal and signature of unwitting engineers on bridge plans and transmitted these engineering documents to prime contractors on the FHWA-funded projects. The investigation revealed that Williams submitted over 500 falsified documents on more than 75 Federal- and State-funded highway projects in 13 States.

We conducted this investigation with the FBI, with assistance from FHWA.

## IN FOCUS

# Toyota Forfeits \$1.2 Billion for Evading Federal Safety Regulations

**T**ransparency and accountability are key to meeting DOT's number one priority: safety. To this end, our investigators work with their law enforcement partners and prosecutors to take swift and firm action against auto manufacturers that do not report critical safety information to NHTSA and correct known vehicle defects.

This was the case with the criminal probe of Toyota Motor Corporation. A joint investigation with our office, DOJ, and the FBI—which involved our investigators subpoenaing and reviewing approximately 400,000 documents and interviewing more than 100 witnesses—ultimately compelled Toyota to admit that it misled U.S. consumers and NHTSA by concealing and making deceptive statements about safety issues affecting its vehicles. Toyota was charged with wire fraud for providing misleading information and, subsequently, with the criminal charge and deferred prosecution agreement, which also imposes an independent monitor to review and assess policies, practices, and procedures relating to Toyota's safety-related public statements and reporting obligations. As part of the agreement, Toyota is to pay a \$1.2 billion civil forfeiture—the largest penalty imposed by DOJ on an auto manufacturer.

Concerns about defects in Toyota's automobiles first surfaced nearly a decade earlier. In 2007, following a series of reports alleging unintended acceleration in Toyota and Lexus vehicles, NHTSA opened a defect investigation into the Lexus ES350 model. While denying the need to recall any of its vehicles, Toyota conducted an internal investigation, which revealed that an all-weather floor mat in certain Toyota and Lexus models could entrap the accelerator pedal and cause the vehicle to accelerate to high speeds. However, Toyota did not share these results with NHTSA. Instead, the company negotiated a limited recall of 55,000 floor mats—not the vehicles.

Shortly after Toyota announced the floor mat recall, company engineers revised internal design guidelines to provide for a minimum clearance between a fully depressed accelerator pedal and the floor. However, the revised guidelines only applied to "full model redesigns," which occur about once every 3 to 5 years. As a result, many new vehicles produced and sold by Toyota did not comply with the revised guidelines—including a Lexus ES350 involved in a fatal accident in August 2009. According to media accounts, "the car reached speeds of up to 120 miles per hour before it struck another vehicle, plowed through a fence, hit a berm, and

flew through the air, then rolled several times into a field and burst into flames.” The driver and passengers—a California State trooper and family members—were all killed. It was determined that an incompatible all-weather floor mat entrapped the accelerator at full throttle. Following the accident, Toyota conducted a limited recall of eight models, including the ES350, for “floor mat entrapment.”

In an effort to defend its brand name, Toyota began issuing public statements assuring consumers that its limited recall had addressed the root cause of unintended acceleration in its U.S.-sold vehicles, despite evidence to the contrary. Moreover, Toyota had identified another vehicle defect—a plastic material that could cause the accelerator pedal to stick in a partially depressed position—but did not inform NHTSA of the defect or conduct a

recall. By this time, Toyota had developed plans to implement design changes to address the sticky pedal defect. But it later canceled the design changes and instructed employees not to document the cancellation—an order intended to conceal the defect from NHTSA.

The Toyota case perfectly demonstrates the safety risk involved when automakers fail to promptly report defects to NHTSA—and why car owners have the right to expect car companies to divulge safety issues and fix them quickly.

The case also sends a clear message to auto manufacturers: Safety is and will remain DOT’s and OIG’s highest priority, and any attempt by these companies to evade their tacit responsibility to advance public safety will result in severe consequences.

# FINANCIAL AND INFORMATION TECHNOLOGY

OIG's financial and information technology work emphasizes economy and efficiency through audits of financial statements, information technology security, and oversight of single audits of non-Federal grantees expending DOT funds.



# AUDITS AND INVESTIGATIONS FINANCIAL AND INFORMATION TECHNOLOGY

## Audits

**April 1, 2014**

### INADEQUATE PLANNING, LIMITED REVENUE, AND RISING COSTS UNDERMINE EFFORTS TO SUSTAIN WASHINGTON, DC'S, UNION STATION

Requested by the Ranking Member of the House Committee on Transportation and Infrastructure and the Former Ranking Member of Its Subcommittee on Economic Development, Public Buildings, and Emergency Management

Union Station is Washington, DC's, main multimodal transportation hub as well as a commercial retail center. Each year, it serves millions of rail passengers, transit riders, residents, and tourists. The station is a Federal heritage asset owned by FRA. In 1983, DOT created the Union Station Redevelopment Corporation (USRC) to manage and oversee Union Station's operations. Presently, Union Station is undergoing repairs, major interior renovations, and other significant changes to improve access to trains, Metrorail, and buses. These high-dollar investments warrant increased oversight to avoid cost overruns, wasted funds, and damage to Union Station's historical and functional value.

While FRA retains authority for adopting and enforcing building and safety codes, this authority has not been effectively executed, raising concerns about potential lapses in safety oversight. DOT and FRA have relied on USRC to effectively manage Union Station. However, USRC has not adequately planned for Union Station's future. In addition, Union Station's capital maintenance reserve fund is at risk of depletion and faces a potential shortfall of

more than \$5 million by September 30, 2014. The actual extent of the shortfall cannot be accurately estimated because the condition of various building components is unknown.

FRA generally concurred with our recommendations to improve the management and oversight of Union Station, and proposed actions to address them.

**April 2, 2014**

### ARRA LESSONS LEARNED: FTA NEEDS TO IMPROVE ITS GRANT OVERSIGHT TO PREVENT IMPROPER PAYMENTS

Self-initiated

In February 2009, FTA received \$8.4 billion from ARRA for economic stimulus and recovery grants. FTA and other Federal agencies reimburse grantees for project costs, and ARRA—along with the Improper Payments Information Act of 2002 (IPIA)—requires agencies to hold grantees accountable for their expenditures. Further, in 2010, OMB directed agencies to increase their oversight of grantees.

FTA's oversight of its ARRA grantees did not prevent or detect approximately \$7.3 million in improper payments to 10 of the 16 grantees in our sample. Approximately \$5.9 million, or 80 percent, of these improper payments were for charges that grantees did not sufficiently document. While a lack of documentation does not necessarily mean a payment was invalid, it raises questions about the payment's eligibility as well as the overall effectiveness of internal controls.

# Audits

FTA also did not ensure that grantees justified the use of their labor forces, known as force account work, for preventive maintenance. FTA's November 2008 Circular required grantees to develop plans for work performed by their labor on capital projects and listed preventive maintenance as a capital project. However, of the transactions we reviewed, FTA reimbursed over \$253.5 million for force account work for preventive maintenance without complete plans or, in some cases, without any plans. FTA later modified its circular to no longer require plans for this type of work.

FTA generally concurred with our recommendations to strengthen its oversight of grantees to prevent and detect improper payments for current and future Federal-aid projects and to assist the Agency in recovering improper payments.

**April 15, 2014**

## ACCURACY AND RELIABILITY OF DOT'S IMPROPER PAYMENT REPORTING CAN BE IMPROVED

Required by the Improper Payments Elimination and Recovery Act of 2010

The Improper Payments Elimination and Recovery Act (IPERA) encourages Federal agencies to significantly reduce payment errors, waste, fraud, and abuse in their programs. IPERA requires that agencies annually test for and report on improper

payments in their programs and that inspectors general review their agencies' IPERA compliance.

DOT's improper payment testing report for fiscal year 2013 included all of OMB's required IPERA reporting elements. DOT reported that its programs met IPERA's requirement that less than 10 percent of total payments be improper and that it made progress in reducing improper payment estimates for FHWA's Federal-aid highway program below IPERA's threshold for significant risk. However, one of FTA's tested programs—the Formula Grant Program—did not achieve its target to reduce improper payments to 0.25 percent or less for fiscal year 2013 as set by OMB guidelines. DOT acknowledged that unmet target reduction rates create a risk that its Operating Administrations will not progress in reducing improper payments. DOT's 2013 report also included inaccurate information on the number of payments tested, improper payment estimates for 2012, and costs of DOT's payment recapture audit. DOT officials acknowledged that its 2013 report included these inaccuracies and attributed them to poor screening of data files and administrative oversight errors.

DOT concurred with our three recommendations to improve the accuracy and reliability of DOT's improper payment reporting.

# Audits

**April 22, 2014**

## QUALITY CONTROL REVIEW OF THE SINGLE AUDIT ON THE NATIONAL RAILROAD PASSENGER CORPORATION AND SUBSIDIARIES (AMTRAK)

Self-initiated

We conducted a quality control review of the single audit performed by Ernst & Young LLP (E&Y) on Amtrak's use of DOT grants for the fiscal year ended September 30, 2012. During this period, Amtrak expended approximately \$1.7 billion from DOT's grant programs. E&Y determined that DOT's major program was the National Railroad Passenger Corporation Grants. We determined that E&Y's audit work was acceptable with deficiencies and, therefore, generally met the requirements of the Single Audit Act; OMB's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and DOT's major program status. We found nothing to indicate that E&Y's opinion on DOT's major program was inappropriate or unreliable.

**June 5, 2014**

## WEAKNESSES EXIST IN FAA'S SECURITY CONTROLS FOR THE TRAFFIC FLOW MANAGEMENT SYSTEM

Self-initiated

FAA's Traffic Flow Management System (TFMS) provides in-flight aircraft position data to airports across the country and keeps air traffic flow safe and orderly to minimize delays. We initiated this audit to determine whether FAA's (1) security controls minimize the risk of TFMS compromise and (2) contingency plan limits the effect of the loss of availability of TFMS data.

Because the Department determined that this report contains sensitive security information, no part may be disclosed to persons without a need to know, as defined in Title 49 Code of Federal Regulations Parts 15 and 1520, except with the written permission of the Administrator of the Transportation Security Administration or the Secretary of Transportation.

# Audits

**June 5, 2014**

## QUALITY CONTROL REVIEW OF THE AUDIT OF CONTROLS OVER DOT'S PROTECTION OF PRIVATE INFORMATION

Required by the 2008 Amendments to Section 522 of the Fiscal Year 2005 Transportation, Treasury, Independent Agencies, and General Government Appropriations Act

We conducted a quality control review of an audit performed by CliftonLarsonAllen LLP of DOT's practices for the protection of personally identifiable information (PII). The audit objectives were to determine whether (1) DOT has established adequate procedures for the collection, use, and security of PII; (2) DOT ensures compliance with its own privacy and data protection policies and applicable laws and regulations to prevent unauthorized access to or unintended use of PII; and (3) DOT's Operating Administrations properly evaluate the necessity of using PII to process data. CliftonLarsonAllen concluded that DOT's privacy controls were not effective and made 10 recommendations to improve the Department's program. Our quality control review disclosed no instances in which CliftonLarsonAllen did not comply, in all material respects, with generally accepted Government auditing standards.

**July 17, 2014**

## QUALITY CONTROL REVIEW OF THE AUDIT OF THE EFFECTIVENESS OF DOT'S EARNED VALUE MANAGEMENT PRACTICES

Self-initiated

We conducted a quality control review of an audit performed by KPMG LLP on the effectiveness of DOT's earned value management (EVM) practices and security cost reporting. The audit objectives were to determine whether DOT (1) has implemented effective EVM policies, procedures, and practices and (2) uses accurate EVM data to plan, monitor, and report the status of its information technology investments and related security spending. KPMG concluded that DOT's EVM processes and practices were not effective and made 14 recommendations to help the Department improve its EVM program. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.



# Audits

**September 17, 2014**

## QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Self-initiated

We issued a quality control review on DOT's major grant program included in the single audit of the Metropolitan Washington Airports Authority (MWAA) for fiscal year ended December 21, 2013. Bert Smith & Company performed the single audit on MWAA's Federal expenditures, while PriceWaterhouseCoopers audited MWAA's financial statements. We limited the scope of the quality control review to the audit work performed by Bert Smith.

During the covered period, MWAA expended approximately \$95 million from DOT grant programs. Bert Smith determined that DOT's major programs were the Airport Improvement Program and the Federal Transit Cluster.

We determined that Bert Smith's audit work was acceptable with deficiencies and, therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Bert Smith's opinion on DOT's major programs was inappropriate or unreliable. While the two deficiencies in the audit documentation need to be corrected in future audits, they did not alter the overall results of the audit report. In both deficiencies—one

relating to Reporting and the other to Special Tests and Provisions-Revenue Diversion on the Airport Improvement Program—Bert Smith did not perform adequate compliance testing to meet the audit objectives in the compliance supplements.

**September 18, 2014**

## ACTIONS NEEDED TO ENHANCE CONTROLS OVER TRAVEL CARDS

Required by the Government Charge Card Abuse Prevention Act of 2012

In fiscal year 2012, DOT employees spent \$175 million using Government-issued travel cards. DOT issues travel cards to its employees to pay expenses related to Government travel including transportation, hotel, and meal costs. Travel cards improve cash management and reduce administrative workloads.

While DOT has successfully implemented controls to prevent cardholders from making purchases at businesses that do not provide travel-related services, it continues to lack robust controls to prevent and detect instances of cash advance abuse and purchase card misuse. We made four recommendations to further strengthen DOT's program controls to protect this high volume of transactions from fraud, waste, and abuse. The Department agreed to implement three of our recommendations as stated and proposed acceptable alternative actions for the remaining recommendation.

# ACQUISITION AND PROCUREMENT

IG's acquisition and procurement work emphasizes economy and efficiency through audits of the Department's acquisitions, contracts, and financial assistance agreements, and through investigations of false statements and claims, bribery, and conflicts of interest.



# AUDITS AND INVESTIGATIONS

## ACQUISITION AND PROCUREMENT

### Audits

In addition to directing its own audits, OIG's Office of Acquisition and Procurement Audits partners with other OIG offices to provide acquisition expertise and audit work on a broad and cross-cutting range of reports related to our aviation, surface transportation, and information technology work. Leveraging OIG's acquisition expertise across all audit groups ensures consistent and thorough reviews of acquisition matters throughout the Department and with its grantees.

**June 12, 2014**

#### NEW DISADVANTAGED BUSINESS ENTERPRISE FIRMS FACE BARRIERS TO OBTAINING WORK AT THE NATION'S LARGEST AIRPORTS

Required by the FAA Modernization and Reform Act of 2012

Each year, FAA distributes more than \$3 billion in Federal grants for airport projects. In accepting these grants, airports are required to establish DBE and airport concession DBE (ACDBE) programs. These programs provide small businesses owned and controlled by socially and economically disadvantaged individuals with opportunities to compete for construction, professional services, and concession contracts. Congress directed our office to report annually on new DBE participation at the Nation's largest airports.

In fiscal year 2012, only 83 new DBE firms were awarded contracts and leases, representing about 5 percent of the approximately 1,600 DBE firms doing business at the Nation's 64 largest airports. While airports are taking steps to encourage awards to new entrants—including unbundling contracts and leases, entering into direct contracts or leases with DBE/ACDBE firms, conducting outreach, and providing financial assistance—new firms continue to face major barriers to obtaining work. These barriers include (1) limited opportunities for and infrequent turnover of existing disadvantaged firms, (2) access to capital and high entry costs, and (3) firms' lack of experience with the airport bidding process.

We made several recommendations to help DOT and FAA promote and track new DBE/ACDBE participation at major airports.

# DEPARTMENTWIDE ISSUES

OIG general conducts audits and investigations of departmentwide issues that are either self-initiated or in response to requests from Congress and the Department.



# AUDITS AND INVESTIGATIONS DEPARTMENTWIDE ISSUES

**August 15, 2014**

## LETTER TO SENATOR GRASSLEY REGARDING INFORMATION IN SUPPORT OF OIG'S MISSION

Requested by Senator Charles E. Grassley

We sent our response to Senator Grassley regarding his July 31, 2014, request that we provide a summary of our non-public audits and closed investigations for the period October 1, 2013, to March 31, 2014. We closed 9 investigations that resulted in administrative action and 18 investigations that were unsubstantiated and/or declined for prosecution for which no action was taken. All non-sensitive audit reports are publicly available on our Web site, so we had no undisclosed audits and evaluations to report.

# OTHER ACCOMPLISHMENTS

OIG's other accomplishments and contributions are those that extend beyond the legal reporting requirements of the Inspector General Act.



# OTHER ACCOMPLISHMENTS

**April 2014**

## ARTICLE PUBLISHED IN INTERNATIONAL JOURNAL

“Individual Freight Effects, Capacity Utilization, and Amtrak Service Quality”—coauthored by a Program Director, Program Manager, and two economists from our Office of Surface Transportation Audits—was published in the online version of *Transportation Research Part A: Policy and Practice*, an international journal, and printed in the June 2014 issue of the journal.

**May 6 and May 7, 2014**

## OUTREACH SESSIONS AT MWAA

The Office of Investigations conducted six outreach sessions at MWAA, attended by a total of approximately 175 representatives from the Metrorail Project Office, Washington Dulles International Airport, Ronald Reagan National Airport, and MWAA’s Corporate Office. The 45-minute presentations described our organization, types of case work, fraud indicators on contract projects, and how to contact OIG if one comes across fraud.

**May 21, 2014**

## PRESENTATION ON DBE AUDITS AND FRAUD PREVENTION

A Program Manager and other staff from our Office of Acquisition and Procurement Audits, along with two Criminal Investigators from our Washington Regional Investigations Office, presented results of our DBE audits and fraud prevention efforts at the American Public Transportation Association (APTA) Committee of Audit Professionals’ webinar on fraud alerts. In attendance at the presentation were APTA members and the WMATA Inspector General and staff.

**June 4, 2014**

## PRESENTATION ON SUPPORT SERVICES ACQUISITION FOR AIR TRAFFIC CONTROLLER TRAINING

A Program Director from our Office of Acquisition and Procurement Audits presented at the Federal Audit Executive Council’s Procurement Conference in Alexandria, VA, on “Steps for Reviewing a Major Support Services Acquisition for Air Traffic Controller Training.” Auditors from across the Federal Government and investigators attended.

**June 5, 2014**

## PRESENTATION ON DOT'S TOP MANAGEMENT CHALLENGES

The Deputy Inspector General and an Assistant Inspector General for Surface Transportation Audits presented at the Mid-Atlantic Intergovernmental Audit Forum in Ocean City, MD. Their presentations focused on transportation audit issues, specifically DOT's top management challenges and how OIG is targeting its audit activities to help address those challenges. Federal, State, and local government leaders and staff in the accountability community attended.

**June 6, 2014**

## PRESENTATION ON FAA INVESTMENTS

The Assistant Inspector General for Aviation Audits spoke at the Air Traffic Control Association's conference in Crystal City, VA, on FAA's 2015 fiscal year budget request. The Assistant Inspector General focused on major changes to FAA's multibillion-dollar investment plans, progress with key initiatives, and risks facing the transition to NextGen. The conference was attended by leaders of U.S. and foreign aerospace firms, as well as various Government agencies, including DOD.

**June 9, 2014**

## PRESENTATION ON DBE AUDITS

A Program Director and two Project Managers from our Office of Acquisition and Procurement Audits discussed our DBE work, including an ongoing DBE airport audit, at the Airport Minority Advisory Council (AMAC) conference in Denver, CO. The audience consisted of AMAC members from Federal, State, and local agencies.

**June 12, 2014**

## PRESENTATION ON DOT'S ACQUISITION PROCESSES

The Assistant Inspector General and three Project Managers from our Office of Acquisition and Procurement Audits presented "Issues Identified in the Department's Acquisition Processes" at the Office of Senior Procurement Executive's Annual Acquisition and Financial Assistance Conference. The conference was held at DOT Headquarters in Washington, DC, and the audience consisted of DOT-wide procurement and grant staff.



**June 3, 2014**

## PRESENTATION TO INDONESIAN INSPECTORS GENERAL

OIG's Chief of Staff and several audit and investigations staff briefed a delegation of 16 Indonesian Inspectors General and audit executives about our role and transportation work. USAID, in connection with the Indonesian Bureaucratic Reform Strategy, facilitated the trip to allow the Indonesian Inspectors General to learn more about how the Inspector General community operates in the United States.

**July 9, 2014**

## PARTICIPATION ON FEDERAL CLOUD COMPUTING PANEL

A Program Director from our Office of Financial and Information Technology Audits participated on a panel at the "Federal Cloud Computing Summit" in Washington, DC. The information presented consisted of non-technical aspects of the cloud. Attendees at the summit included Government and university personnel; cloud vendors; and Government Press, including GovLoop, Bloomberg Government, and Government Executive Media Group.

**July 17, 2014**

## PRESENTATION ON OIG'S AUDIT PROCESS AND WORK

An Assistant Inspector General from our Office of Surface Transportation Audits presented at GAO's Physical Infrastructure Group's Knowledge Transfer, held at GAO Headquarters in Washington, DC. The presentation focused on how DOT OIG is organized, how our work originates and is planned, and recent audit issues.

**September 8, 2014**

## PRESENTATION ON OIG'S SURFACE TRANSPORTATION AUDITS

An Assistant Inspector General from our Office of Surface Transportation Audits presented at the American Association of State Highway and Transportation Officials Annual Standing Committee on Rail Transportation Conference. The presentation included information regarding the role of DOT OIG as well as recently completed, ongoing, and planned work. About 200 State highway and transportation officials were in attendance.

**September 16, 2014**

## PRESENTATION ON FAA REFORMS

The Assistant Inspector General for Aviation Audits spoke at "The Future of Aviation Symposium," sponsored by *The Hill* magazine at the National Press Club in Washington, DC. The Assistant Inspector General addressed issues about the outcomes of past efforts to reform FAA, the challenges with integrating unmanned aircraft systems in the NAS, as well as progress and problems with key air traffic control modernization projects. The conference was attended by congressional staff, leaders of U.S. and foreign airlines, airport executives, and various trade associations.

# WORK PLANNED AND IN PROGRESS

This section describes OIG's work planned or in progress for October 1, 2014, through March 31, 2015. The work focuses on the Department's Strategic Plan and responds to requests by Congress and Administration officials. We take into account the need to support DOT's most critical programs and to ensure that the Department's resources are protected from fraud, waste, and abuse.



# WORK PLANNED AND IN PROGRESS

## AVIATION

### In Progress

#### DOT'S OVERSIGHT AND ENFORCEMENT OF LONG, ON-BOARD FLIGHT DELAYS

Our work over the past decade has consistently shown that strong oversight of airline passenger protections is needed. We recommended several actions that DOT has taken to strengthen the accountability, enforcement, and protection afforded to air travelers. We are assessing the effectiveness of DOT's oversight and enforcement of airlines' and airports' compliance with requirements relating to long, on-board flight delays.

#### FAA OVERSIGHT OF EUROPEAN UNION REPAIR STATIONS

On May 1, 2013, FAA completed its transfer of direct oversight of repair stations in the European Union (EU) to the national aviation authorities of those countries. These authorities are responsible for monitoring nearly 400 FAA-certificated repair stations located in 18 EU countries. We are conducting this audit at the request of the former Chairman of the House Transportation and Infrastructure Subcommittee on Aviation. Our objectives are to evaluate the effectiveness of FAA's process to transfer oversight of EU repair stations to national aviation authorities and assess

the Agency's monitoring of FAA-certificated repair stations operating under the U.S.-EU Aviation Safety Agreement to ensure they meet Agency standards.

#### FAA'S OVERSIGHT OF THE HAZARDOUS MATERIALS VOLUNTARY DISCLOSURE REPORTING PROGRAM

Each year, about 50,000 routine providers of hazardous materials ship hazmat packages by air on more than 400 U.S. and foreign air carriers. Hazmat air shipments present serious safety risks—especially when the hazardous materials are unauthorized and undeclared. To help address the safety concerns raised by hazmat air shipments—including unauthorized, undeclared shipments—FAA established the Hazardous Materials Voluntary Disclosure Reporting Program (HM VDRP) in 2006. By allowing air carriers to voluntarily disclose violations of hazardous materials regulations without receiving civil penalties, the program provides an important opportunity to identify and mitigate hazmat safety issues that might not otherwise come to the Agency's attention. Our audit objectives are to determine whether FAA has an adequate framework to effectively carry out HM VDRP and uses HM VDRP data to identify safety risks.

## In Progress

### FAA'S ORGANIZATIONAL STRUCTURE

(Also listed under "Acquisition and Procurement")

The Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation requested that we assess FAA's organizational structure, including whether the Agency's reforms have improved its operations and the implementation of new technology while reducing operating costs. The Chairman also expressed interest in how FAA's organizational and financial structure compares with other nations' structures. Accordingly, our objectives are to determine whether FAA reforms implemented since 1995 have resulted in improved air traffic operations, reduced Agency costs, and expedited delivery of new technologies and to compare the processes used by different countries to deliver air traffic services and implement new technologies.

### FAA PROGRESS IN REDUCING HELICOPTER EMERGENCY MEDICAL SERVICES ACCIDENTS

Each year, Helicopter Emergency Medical Services (HEMS) operators in the United States transport over 400,000 patients as well as life-saving donor organs and blood to emergency care facilities. HEMS operations are frequently conducted in high-risk environments, including night flight, poor weather or visibility, and flight into unfamiliar landing sites. Since the mid-1990s, the number of helicopters

providing emergency medical services in the United States has grown nearly 300 percent and the HEMS accident rate has almost doubled over that time. At the request of the House Committee on Transportation and Infrastructure, we are evaluating FAA's progress in meeting requirements for HEMS operations cited in the FAA Modernization and Reform Act of 2012 and determining whether FAA has implemented other actions, including oversight enhancements, to reduce the HEMS accident rate.

### FAA'S OVERSIGHT OF AIRCRAFT RESCUE AND FIRE FIGHTING PROGRAM

In July 2013, Asiana Flight 214 crashed on final approach into San Francisco International Airport, resulting in three fatalities and drawing widespread attention to the importance of effective emergency response at our Nation's airports. FAA requires commercial airport operators to develop plans and procedures to respond to aircraft incidents and accidents, fires, and hazardous materials incidents. FAA also requires all rescue and firefighting personnel to be fully trained prior to their first duties and to receive recurrent training every 12 months. However, NTSB's July 2013 report on the Asiana crash highlighted concerns related to aircraft rescue and fire fighting (ARFF) training, staffing, and FAA's oversight of emergency response plans. Given the criticality of ARFF operations to airport safety, we are assessing FAA's policies and guidance for implementing ARFF requirements, and oversight and enforcement of airports' adherence to ARFF requirements.

## In Progress

### ORGANIZATION DESIGNATION AUTHORIZATION

The U.S. civil aviation industry includes more than 200,000 aircraft, 1,600 approved manufacturers, and 5,400 aircraft operators. Public law allows FAA to delegate certain functions, such as approving new aircraft designs and certifying aircraft components, to private individuals or organizations. In 2005, FAA created the Organization Designation Authorization (ODA) program to consolidate the various types of organizational delegations under one program and standardize oversight. At the request of Representative Peter DeFazio, we are assessing FAA's process for determining staffing levels needed to conduct ODA oversight and oversight of delegated organizations' program controls.

### PERFORMANCE-BASED NAVIGATION AUTOMATION TOOLS

Implementing PBN flight procedures is a cornerstone of FAA's plans to develop NextGen. These new procedures allow for more direct flight paths and can provide significant benefits, such as fuel savings and increased capacity. Many of the Nation's airlines have equipped their aircraft and trained their pilots to use these new procedures, but progress in using them has been slow. A key barrier in maximizing the benefits of PBN procedures has been the lack of air traffic controller automated decision support tools to help identify, merge,

and sequence aircraft with differing equipment and capabilities. At the request of the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we are assessing FAA's progress in developing and deploying new air traffic controller automation tools for managing PBN procedures and the degree to which these tools meet air traffic controllers' needs to improve PBN use.

### FAA'S RESPONSE TO NEXTGEN ADVISORY COMMITTEE RECOMMENDATIONS ON NEXTGEN INVESTMENT PRIORITIES

The multibillion-dollar NextGen project aims to modernize our Nation's aging air traffic system. The success of FAA's efforts to implement NextGen depends on the Agency's ability to set priorities, deliver benefits, and maintain stakeholder support. FAA is responding to a September 2013 report from NAC—a joint Government-industry committee—on industry's highest priorities for NextGen. At the request of the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation, we are examining the steps FAA is taking to address the recommended investment priorities and FAA's plans for implementation.

## In Progress

### FAA OVERSIGHT OF FLIGHT DECK AUTOMATION AND PILOT PERFORMANCE

Commercial airline pilots rely on sophisticated automation in the cockpit to fly aircraft in all phases of flight. According to a recent FAA study, the growing adherence to computer-assisted flying—and the confusion that can result when pilots fail to keep up with computer advances—increasingly are considered major factors in airline crashes worldwide. This drive in innovation and cockpit automation is limiting the opportunities pilots have to maintain manual flying skills. This audit was requested by the former Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation. Our audit objectives are to determine whether FAA has established regulations governing the use of flight deck automation and identify FAA's process for ensuring that air carrier pilots are trained to use and monitor these systems while maintaining proficiency in manual flight operations.

### FAA'S IMPLEMENTATION OF A PILOT RECORDS DATABASE

In September 2013, the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation requested we examine FAA's and industry's progress in implementing the new pilot records database

as mandated by the 2010 Airline Safety and FAA Extension Act. Accordingly, we are evaluating FAA's progress in developing and implementing the pilot records database, and determining what records are available for air carriers to obtain and review pilot applicants.

### CONTROLLER STAFFING AT CRITICAL AIR TRAFFIC CONTROL FACILITIES

FAA currently employs more than 14,600 air traffic controllers and plans to hire an additional 6,200 over the next 5 years to keep pace with expected attrition. In a 2012 review of air traffic controller staffing and training at FAA's most critical facilities, we found that while the rate of retirement eligibility was increasing, the number of experienced controllers to manage air traffic and train newly hired controllers was decreasing. The Consolidated Appropriations Act of 2014 directed our office to conduct a follow-up review of our 2012 review. We are conducting an audit to determine whether FAA's most critical facilities are staffed in accordance with FAA's plans and assess how training needs and retirements impact controller resources.



## In Progress

### REVIEW OF DOT'S OVERSIGHT OF AIRLINES' FREQUENT FLYER PROGRAMS

For more than 30 years, major airlines have offered frequent flyer programs to encourage travel on their respective airlines and secure customer loyalty. DOT requires that airlines disclose their frequent flyer program rules and provides guidance to airlines for disclosing costs they may assess related to bookings of frequent flyer award travel. Failure to adhere to DOT's guidance could constitute an unfair and deceptive practice in which enforcement actions can be pursued against the airlines. In July 2014, Representative Alan Grayson requested that we examine airlines' frequent flyer program practices. In particular, Representative Grayson expressed concerns about the lack of transparency for consumers when airlines change their frequent flyer program terms and conditions. Accordingly, we plan to assess DOT oversight of airlines' compliance with frequent flyer program disclosure requirements.

## Planned

### FAA DATA COMMUNICATIONS

FAA's Data Communications (Data Comm) program, a NextGen transformational program, is expected to provide digital communications with data link capability for routine pilot-controller communications, including air traffic clearances, advisories, and flight crew requests and reports. Airspace users have raised significant concerns about Data Comm's development, and industry and FAA have not reached consensus on how to implement the technology. We plan to conduct an audit to determine whether FAA's acquisition strategy for Data Comm addresses the cost, schedule, and performance risks associated with FAA's NextGen plans and goals, and whether there are difficulties or uncertainties in integrating new Data Comm services with existing or planned automation platforms, such as the STARS and En Route Automation Modernization.

# Planned

## UPDATE ON NEXTGEN TRANSFORMATIONAL PROGRAMS

FAA is investing in six transformational programs that are expected to provide the foundational technologies and infrastructure needed for NextGen. FAA has invested nearly \$3 billion in these programs and is requesting \$512 million for fiscal year 2015. The Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation requested that we update our April 2012 report that found FAA's progress in implementing the programs has been impacted by a lack of finalized requirements, complex interdependencies with other FAA modernization programs, and integration issues with controller automation systems. We plan to identify any formal changes FAA has made to its programs' scope, including costs, schedules, and adjustments in anticipated benefits with respect to reducing Agency costs and improving the flow of air traffic.

## NEXTGEN LONG-TERM PLANNING

Over 10 years ago, Congress mandated that FAA establish the Joint Planning and Development Office (JPDO) to develop a plan for implementing NextGen by 2025 and coordinate research efforts of other Federal agencies, such as DOD and the National Aeronautics and Space Administration. Recently, JPDO's functions and responsibilities have shifted to FAA's NextGen Office. At the request of the Chairman and Ranking Member of the House

Science, Space, and Technology Subcommittee on Space, we plan to examine how FAA has assumed JPDO's roles and responsibilities for NextGen long-term planning.

## ANALYSIS OF FAA TYPE-RATINGS AND INSPECTOR TRAINING

FAA inspectors must maintain a broad knowledge of a range of aviation operations—such as on-demand operations, maintenance and pilot training, and general aviation—as well as specialized experience and a specified flight certificate. Operations inspectors who oversee Part 121 air carriers must have at least 1 year of pilot experience in multi-engine aircraft of more than 12,500 pounds maximum certificated take-off weight. In contrast, operations inspectors who oversee general aviation operators are only required to maintain single and multi-engine land airplane ratings in any type of aircraft with no specific weight requirement. This disparity in type ratings could result in inspectors providing oversight of operators without technical and experiential knowledge of the aircraft they oversee. We plan to evaluate FAA's inspector training and qualifications process to determine whether FAA's type-rating and inspector training processes provide the technical knowledge needed for general aviation operations inspectors, and if FAA is providing adequate training for general aviation inspectors to stay abreast of technological advancements in the industry.

## Planned

### FAA'S FLIGHT STANDARDS SERVICE

As FAA moves toward implementing Safety Management Systems and its new Safety Assurance System of oversight, questions remain about FAA's inspector workforce and its role. Multiple airline mergers, increases in domestic code sharing, and expansion of carrier operations outside their original areas of operation have dramatically changed the aviation landscape for FAA inspectors and call for a review of FAA's inspector resource needs. Further, a series of events and breakdowns in the overall regulatory framework and oversight illustrate the need for a general management review of FAA's Flight Standards Service to assess its current approach to oversight and enforcement. We plan to initiate an audit to assess the Flight Standards Service capability to respond to employee whistleblower complaints and determine whether it has a sound and practical oversight and enforcement philosophy.

### AIR TRAFFIC CONTROL TOWER PRODUCTIVITY ASSESSMENT

In response to a request from the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we plan to initiate an audit of the productivity of FAA

air traffic control towers. Knowledge of which air traffic control towers operate more efficiently will aid determination of which factors affect air traffic control tower productivity. The objective of this audit will be to assess the relative efficiency of FAA air traffic control towers.

### FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST CONTRACT

(Also listed under "Acquisition and Procurement")

ADS-B is a new satellite-based surveillance system and a key part of FAA's plans to transition to NextGen. FAA awarded a contract for \$1.8 billion to develop and deploy the ADS-B ground infrastructure and start broadcasting services. The FAA Modernization and Reform Act of 2012 directed us to review FAA's award and oversight of any contract the Agency awarded for ADS-B services. In coordination with the Office of Acquisition and Procurement Audits, we plan to conduct an audit to determine whether FAA's ADS-B contract enables the Agency to monitor the contractor and ensure it provides required ADS-B products and services. We also plan to evaluate FAA's procedures for determining payments to the contractor.

# SURFACE TRANSPORTATION

## In Progress

### FHWA'S OVERSIGHT OF BRIDGE SAFETY

FHWA established National Bridge Inspection Standards for proper safety inspections of public highway bridges and oversees States' efforts to ensure that bridges within their jurisdictions are safe. In 2011, FHWA announced a new bridge safety initiative designed to improve its oversight of States' bridge inspections. For this audit, initiated in response to a request from the Ranking Member of the House Transportation and Infrastructure Committee, we are assessing FHWA Division Offices' oversight of States' bridge inspection programs and FHWA's efforts to identify and address high-priority risks to bridge safety at the national level.

### FHWA'S OVERSIGHT OF RECOVERY ACT PROJECT CLOSEOUTS

Prompt closeout of ARRA projects allows unused funds left on completed projects, with no pending expenditures, to be used on other projects still under construction. Project closeout is also a critical step for an accurate final accounting of States' use of all Federal-aid highway funds, including those from ARRA. We initiated this audit to determine whether FHWA performs adequate oversight to ensure timely closeouts of completed ARRA highway projects.

### FHWA'S MAJOR PROJECTS OVERSIGHT

FHWA provides financial assistance and oversight to States in delivering high-cost, complex highway and bridge projects, known as major projects. Federal law defines major projects as those with an estimated cost of \$500 million or more and requires States to prepare financial plans and project management plans. These plans are intended to be living documents that are updated to reflect conditions as the project progresses, and ensure project decisionmakers effectively manage cost, schedule, and funding. We initiated this audit to determine whether FHWA verified that States' initial and updated financial plans and project management plans met FHWA guidance, and whether additional project delivery tools are available and being used to manage major projects' costs, schedules, and funding.

### FTA'S OVERSIGHT OF HURRICANE SANDY EMERGENCY RELIEF FUNDS—PHASE 2

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and the northeastern United States, particularly to the area's transportation infrastructure. DRAA designated more than \$13 billion for infrastructure investments across several modes of transportation and funds for our office to oversee DOT's administration of the relief funds. To comply with the act, we initiated

## In Progress

a three-phase audit strategy. We completed phase 1 in December 2013. For this second audit, we are assessing FTA's implementation of the processes it established to award and oversee Hurricane Sandy relief funds, its controls to prevent duplicate payments from the Federal Emergency Management Agency and insurance companies, and the timeliness of its obligation and expenditure of Hurricane Sandy funds.

### FTA'S EFFORTS TO IDENTIFY, PROMOTE, AND DEPLOY LOW OR NO EMISSION BUS AND OTHER TRANSIT-FOCUSED TECHNOLOGIES

To encourage States and local transit agencies to expand their use of "green energy" buses, FTA identifies and encourages the deployment of low or no emission bus technologies and other transit-focused technologies. In response to the Consolidated Appropriations Act of 2014, we are conducting an audit to determine whether FTA has opportunities to improve its identification, promotion, and deployment of low or no emission buses and other transit-focused technologies.

### FHWA'S FINANCIAL INTEGRITY REVIEW AND EVALUATION PROGRAM

FHWA oversees States' use of Federal-aid funds provided annually for thousands of highway and bridge projects. To ensure States use these funds in accordance with Federal regulations and to identify and address vulnerabilities, such as inactive obligations, FHWA relies on a risk-based oversight approach. A key component of this approach is the Financial Integrity Review and Evaluation program (FIRE), which involves annual assessments of State financial oversight and management activities pertaining to Federal highway funds. FHWA implemented FIRE in fiscal year 2005 in response to internal control weaknesses we identified during our audits of FHWA's inactive obligations. We are evaluating whether FHWA's FIRE reviews comply with Agency policies and procedures, and are used effectively to address vulnerabilities.

## In Progress

### FRA'S HIGH SPEED INTERCITY PASSENGER RAIL GRANT AMENDMENT AND OVERSIGHT PROCESSES

The Passenger Rail Investment and Improvement Act of 2008 created several grant initiatives, most notably FRA's High Speed Intercity Passenger Rail (HSIPR) program. Congress appropriated \$10.6 billion to the HSIPR program to support the development of high-speed and intercity passenger rail networks. We previously reported that FRA's lack of an effective grants administration framework may be putting Federal funds at risk. Furthermore, in January 2012, the California State Auditor found that the California High Speed Rail Authority may not be able to raise agreed-upon matching funds for its project. In December 2012, FRA amended its grant agreement with the Authority to disburse Federal HSIPR funds before the Authority acquires the requisite State matching funds. In response to a request from the Chairman of the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials, we are assessing FRA's policies, procedures, and processes for amending HSIPR grant agreements and for monitoring grantees' compliance with HSIPR grant requirements.

### NHTSA'S EFFORTS TO IDENTIFY SAFETY-RELATED VEHICLE DEFECTS

Since February 2014, GM has recalled 8.6 million vehicles manufactured between 1997 and 2014 for a possible defective ignition switch that can unintentionally shut down the engine and disable power steering, power brakes, and airbags. At the Secretary of Transportation's request, we are conducting an audit of NHTSA's safety functions and processes related to the GM recall. Accordingly, we are assessing NHTSA's procedures for collecting, analyzing, and managing information to identify safety-related vehicle defects; determining if information on ignition switch issues or non-deploying airbags was available to NHTSA but not used in GM's defect analysis; and assessing NHTSA's actions to implement our 2011 recommendations to strengthen its processes for identifying and addressing vehicle safety defects.

### FMCSA'S IMPLEMENTATION OF NAFTA CROSS-BORDER TRUCKING PILOT PROGRAM

Legislation passed in fiscal year 2007 requires our office to review FMCSA's pilot program for granting long-haul authority to Mexico-domiciled motor carriers, part of the Agency's implementation of the North American Free Trade Agreement's (NAFTA) cross-border trucking provisions. The Department granted provisional authority to the first Mexican-

## In Progress

domiciled carrier in October 2011, formally initiating the pilot program. Consistent with the legislation, we issued an initial report on August 19, 2011, and the interim report on August 16, 2012. For this final audit, we are assessing the Department's mechanisms for identifying any adverse effects the pilot program may have on motor carrier safety, and Federal and State monitoring and enforcement activities for ensuring program participants comply with applicable laws and regulations. We are also determining whether the pilot program consists of a representative and adequate sample of Mexico-domiciled carriers likely to engage in cross-border operations beyond U.S. municipalities and commercial zones on the U.S.-Mexico border.

### FHWA'S OVERSIGHT OF PRELIMINARY ENGINEERING ON HIGHWAY PROJECTS

In calendar year 2013, FHWA authorized approximately \$1.7 billion for preliminary engineering on State highway and bridge projects. Preliminary engineering includes the costs of preparing project plans, specifications, and cost estimates and conducting related studies. Highway projects using Federal funds for preliminary engineering are generally expected to proceed to the right-of-way or construction phases. For projects that do not proceed within 10 years after funds were first made available, Federal law requires States to reimburse the Highway Trust Fund for Federal funds spent on preliminary engineering. However, FHWA may allow States to extend the preliminary engineering

phase. We initiated an audit to assess the processes FHWA uses to account for Federal funds targeted for preliminary engineering and to ensure States reimburse the Highway Trust Fund when required by Federal law.

### FTA'S OVERSIGHT OF CORRECTIVE ACTIONS FOR AT-RISK GRANTEEES

In fiscal year 2014, FTA provided more than \$10.6 billion in Federal assistance to help State and local grantees plan, build, and operate transit systems. In the past 4 years, FTA's financial management reviews of transit agencies' internal controls have identified 36 at-risk grantees with significant deficiencies, such as unallowable costs, inadequate competition for major procurements, and inability to reconcile actual costs with allowable budget categories. These deficiencies required FTA to place additional oversight controls on the disbursement of Federal funding to the at-risk transit agencies, including restricting their ability to draw down Federal funds and requiring them to take corrective actions before restrictions are lifted. We are assessing FTA's oversight procedures for ensuring at-risk transit agencies take corrective actions to address internal control weaknesses identified in its financial management reviews.



## Planned

### FRA'S OVERSIGHT OF THE TRANSPORTATION OF HAZMAT BY RAIL

Recent hazmat accidents and increases in the transport of hazardous material by rail—particularly crude oil shipments, which increased from 9,500 to 407,542 carloads between 2008 and 2013—underscore the importance of ensuring effective oversight of these transports. Given congressional and public concerns surrounding the inherent risk in this area, we plan to conduct an audit assessing FRA's oversight of hazardous material transportation.

### MARAD'S MANAGEMENT CONTROLS

The Maritime Administration (MARAD) has undergone changes that impact both its organizational structure and program funding mechanisms. In recent years, our office and GAO have identified vulnerabilities in MARAD's management practices and controls in the Port Infrastructure Development, Title XI Loan Guarantee, and Ship Disposal Programs, as well as at the U.S. Merchant Marine Academy. We plan to conduct an audit to evaluate MARAD's management controls over its key functions and programs.

### FMCSA'S INVESTIGATIVE PRACTICES

NTSB investigations of commercial vehicle crashes have identified pre-existing risk factors that should have prompted strong interventions by FMCSA and State authorities. Senator Richard Durbin requested that we conduct an audit of FMCSA's investigative practices to ensure motor carriers are being investigated in a timely manner and whether the type of investigations FMCSA conducts are adequate to catch violations. In accordance with the Senator's request, we plan to determine whether FMCSA and State agencies have effective processes and quality controls in place to ensure that its investigations result in a complete and accurate assessment of motor carriers' safety operations.

### DOT'S EFFORTS TO IMPLEMENT MAP-21 PROJECT AND PROGRAM DELIVERY REQUIREMENTS—PHASE 2

In phase 1 of our mandated audit work to assess the Department's implementation of MAP-21's Subtitle C project and program delivery reforms, we assessed the status of planned actions. To continue fulfilling our mandate, we will undertake phase 2 of our work and drill down on the Department's implementation of key provisions of the act.



# FINANCIAL AND INFORMATION TECHNOLOGY

## In Progress

### QUALITY CONTROL REVIEW OF ATTESTATION ENGAGEMENT: REVIEW OF DOT'S ENTERPRISE SERVICES CENTER

We are performing a quality control review of the audit performed by an independent public accounting firm to determine whether management's description of the service organization's systems is fairly presented; controls are suitably designed; and controls operated effectively during the period of October 1, 2013, to June 30, 2014.

### DOT'S INFORMATION SECURITY PROGRAM AND PRACTICES FOR FISCAL YEAR 2014

As mandated by the Federal Information Security Management Act of 2002, we are performing an annual review of DOT's information security program and practices to determine their effectiveness.

### QUALITY CONTROL REVIEWS OF SINGLE AUDITS ON DOT GRANTEES

We are performing quality control reviews of the audits performed by independent public accounting firms on grant recipients' use of DOT funds.

### FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST SYSTEM

FAA's ADS-B system is expected to provide pilots and controllers with information on aircraft location through satellite-based surveillance technology and aircraft avionics that will complement ground-based radar systems. The FAA Modernization Reform Act of 2012 requires our office to determine how FAA addresses security issues in ADS-B's design and implementation. Accordingly, we are assessing FAA's identification and resolution of security issues in ADS-B's development and implementation.

### QUALITY CONTROL REVIEWS OF DOT'S FISCAL YEARS 2014 AND 2013 CONSOLIDATED FINANCIAL STATEMENTS AND FAA'S, NTSB'S, MWAA'S, AND THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION'S FINANCIAL STATEMENTS

We are performing quality control reviews of the audits performed by independent public accounting firms to determine whether the audits were performed in accordance with applicable auditing standards.

## In Progress

### DOT'S CONTROLS OVER COLLECTION OF DELINQUENT DEBTS

The Debt Collection Improvement Act requires agencies to follow standardized procedures to ensure collection of delinquent non-tax public debt. DOT's public accounts receivable increased from \$85 million to \$124 million between fiscal years 2008 and 2009. We are assessing DOT's controls to determine if they ensure timely collection of delinquent debts and include exhaustive attempts to collect delinquent debts.

### DOT'S TRANSITION TO CLOUD COMPUTING

Cloud computing provides on-demand access to a shared pool of computing resources and reportedly has the potential to deliver services faster, more efficiently, and at a lower cost than custom-developed systems. OMB's "Cloud First" policy requires Federal agencies to implement cloud-based solutions whenever a secure, reliable, and cost-effective cloud option exists. We are assessing DOT's process for transitioning information technology services to cloud computing and its process for identifying and mitigating security risks associated with this transition.

### FAA'S ACCOUNTABLE PERSONAL PROPERTY

In July 2013, we reported that FAA purchase cardholders under DOT's Purchase Card Program and property delegates at the Mike Monroney Aeronautical Center in Oklahoma City, OK, did not always follow policy for recording accountable personal property, such as computers and digital cameras. We are assessing FAA's internal controls for managing non-capitalized accountable property and determining the extent of compliance with those controls.

### FAA'S TERMINAL RADAR APPROACH CONTROL SECURITY CONTROLS

FAA's TRACON facilities handle air traffic 30 to 50 nautical miles from an airport. We are assessing the TRACON systems' information security controls and determining whether FAA is identifying security risks and properly mitigating them.

### VOLPE'S NETWORK SECURITY

We are assessing the effectiveness of Volpe's system security controls and determining whether Volpe is identifying security risks and properly mitigating them.

## In Progress

### FISCAL YEAR 2015 IMPLEMENTATION OF IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

As mandated by IPERA, we are performing an annual review of DOT's fiscal year 2015 annual financial report to determine its accuracy and compliance with IPERA requirements.

## Planned

### DOT CONFERENCE-RELATED ACTIVITIES AND EXPENSES

OMB Memorandum M-11-35, Eliminating Excess Conference Spending and Promoting Efficiency in Government, instructs all agencies to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. We are conducting an audit to evaluate whether DOT has implemented effective policies, procedures, and controls on conference-related activities and expenses.

### FAA'S AND NHTSA'S DRUG CONTROL OBLIGATION

As mandated by the Director of the Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, we plan to conduct an attestation review to provide assurance that no information came to our attention that would reverse NHTSA's or FAA's assertions that their reports submitted to the Director complied with ONDCP's Circular on Drug Control Accounting.

## Planned

### FAA'S SYSTEM-WIDE INFORMATION MANAGEMENT

The System-Wide Information Management (SWIM) provides standards, infrastructure, and governance that enable air traffic management operations and information exchange between NAS entities and their stakeholders. We plan to assess SWIM's compliance with the security architecture directing the development, design, and implementation of NextGen system security.

### CONTROLS OVER DOT'S CYBER SECURITY MANAGEMENT CENTER

As mandated by the Federal Information Security Management Act of 2002, agencies are required to establish incident response capabilities for their information systems. We plan to assess the effectiveness of the Department's incident response program.

### FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST SYSTEM FOLLOW UP

As mandated by the FAA Modernization and Reform Act of 2012, we plan to evaluate how security issues are being addressed in the overall design and implementation of the ADS-B system and follow up on open recommendations from our prior audits.

# ACQUISITION AND PROCUREMENT

## In Progress

### AUDIT FOLLOW-UP ON DOT'S SUSPENSION AND DEBARMENT PROGRAM

S&D actions are among the Government's strongest tools to deter unethical and unlawful use of Federal funds. In January 2010, we reported that DOT's S&D program lacked sufficient internal controls to prevent prohibited parties from obtaining contracts and grants. Following our review, DOT began taking corrective actions to improve its S&D policies and procedures. We are conducting this audit to determine if DOT is making timely S&D decisions and reporting exclusionary S&D actions in the Governmentwide system timely and accurately.

### EFFORTS OF FHWA'S OFFICE OF FEDERAL LANDS HIGHWAYS TO ENSURE PRICE REASONABLENESS ON FIXED-PRICE CONTRACTS

FHWA's Office of Federal Lands Highway (FLH) provides resources and technical assistance for public roads on Federal and tribal lands. FLH relies mainly on sealed-bid contracts for its road projects. Between October 2012 and September 2013, FLH awarded \$305 million in fixed-price contracts—53 percent of FHWA's total fixed-price contracts. Under the Federal Acquisition Regulation, contracting officers must determine whether offered prices are fair and reasonable

before awarding contracts and may reject bids if they determine that prices are unreasonable. FHWA and industry guidance call for establishing written bid review procedures and conducting thorough bid evaluations to help determine whether to award the contract or reject the bids. Given the importance of price reasonableness and FLH's sizeable contract awards, we are assessing whether FHWA's policies, procedures, and practices meet Federal requirements and best practices for ensuring price reasonableness for FLH's fixed-price contracts.

### VOLPE'S MANAGEMENT OF THE TRANSPORTATION INFORMATION PROJECT SUPPORT CONTRACT

To provide information technology services for its customers, Volpe relies on its Transportation Information Project Support (V-TRIPS), a specialized multiple-award service contract. Volpe awarded this 5-year, \$234-million contract to five vendors in 2010. However, our past work on large service contracts found that agencies do not always ensure adequate competition or provide sufficient oversight of contractor performance. Accordingly, we are determining whether Volpe awarded the base V-TRIPS contracts under competitive procedures and provides each awardee fair opportunities to compete for task orders, and assessing its contract administration and oversight to ensure the contract complies with Federal and DOT acquisition regulations.

## In Progress

### DOT'S COMPLIANCE WITH CONTRACTING OFFICER CERTIFICATION AND WARRANT REQUIREMENTS

DOT's contracting officers are responsible for awarding and managing a significant portfolio of contracts that totaled \$1.3 billion in obligations in fiscal year 2013 (excluding FAA). The Office of Federal Procurement Policy requires that contracting officers be certified at the appropriate level to correspond with the dollar value of contracts they are authorized to award and administer and directed each agency's chief acquisition officer to establish agency-specific certification and warrant requirements. DOT established a Contracting Officer Warrant Program, which outlines the Department's standards and is intended to ensure that only properly trained and qualified employees are appointed as contracting officers. We are evaluating DOT's compliance with requirements for certifying and assigning warrant levels to its contracting officers and determining whether DOT has effective oversight policies and practices to ensure its contracting officers meet applicable requirements.

### NEW PARTICIPATION IN FAA'S AIRPORT DBE PROGRAM

This is the second of three annual reviews of new participation in FAA's airport DBE program, as directed by Congress in the 2012 FAA Modernization and Reform Act. The act specifies that we identify best practices for encouraging new airport DBE participation, including businesses owned by veterans, at the Nation's largest airports. Our first review covered new participation during fiscal year 2012. For this second audit, we are identifying new DBE numbers for fiscal year 2013 and further exploring the various factors that lead some airports to award more contracts and leases to new entrants to FAA's DBE program than others. In particular, we are looking at new DBE participation in the airport car rental sector and the extent to which disadvantaged firms are receiving prompt payment in accordance with DOT regulations.

## In Progress

### REVIEW OF THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY'S AUDIT QUALITY CONTROL SYSTEM

MWAA manages Ronald Reagan National Airport and Washington Dulles International Airport under the terms of a lease with DOT. In response to a 2011 congressional request, we reviewed MWAA's management policies and practices and identified weaknesses in its internal controls that led to questionable procurement practices, mismanagement, and a lack of overall accountability. The Consolidated Appropriations Act of 2014 expressed continuing congressional interest in having us audit and investigate MWAA. We initiated this audit to determine whether MWAA has established and carried out an audit quality assurance and improvement program in accordance with applicable standards.

### AUDIT OF DOT'S CONTRACT CLOSEOUT

From fiscal years 2009 to 2013, DOT spent over \$30 billion on contracts. During the same period, DOT awarded over 20,000 contracts whose period of performance ended December 31, 2013, which means the contracts should either be closed or considered for contract closeout. Contract closeout involves verifying that goods and services were provided as intended, validating final costs and payments, and freeing excess funds for possible use

elsewhere. Timely and effective closeout ultimately protects the Government's interests and helps agencies efficiently manage remaining funds. We are assessing selected Operating Administrations' close-out procedures to determine whether their contracts are closed out in accordance with Federal and departmental regulations.

### FAA'S ORGANIZATIONAL STRUCTURE

(Also listed under "Aviation")

The Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation requested that we assess FAA's organizational structure, including whether the Agency's reforms have improved its operations and the implementation of new technology while reducing operating costs. The Chairman also expressed interest in how FAA's organizational and financial structure compares with other nations' structures. In coordination with the Office of Aviation Audits, we plan to review the effectiveness of FAA's organizational reforms. The audit objectives are to determine whether FAA reforms implemented since 1995 have resulted in improved air traffic operations, reduced Agency costs, and expedited delivery of new technologies, and to compare the processes used by different countries to deliver air traffic services and implement new technologies.



## Planned

### FTA'S IMPLEMENTATION OF SANDY RECOVERY IMPROVEMENT ACT OF 2013—PHASE 2

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and northeastern sections of the United States, particularly to the area's transportation infrastructure. DRAA designated more than \$10 billion to fund FTA's new Public Transportation Emergency Relief Program and provided funds to our office for support oversight of FTA's relief funding efforts. Our phase 1 audit found FTA has yet to complete all Sandy risk assessments and oversight guidance for its Emergency Relief Program. During this second phase, we will determine whether FTA provided adequate oversight of grantees' contracts reimbursed with initial DRAA response and recovery funds.

### AUDIT OF DOT'S SOLE-SOURCE CONTRACTS

Through the first 6 months of fiscal year 2014, DOT awarded \$272 million in sole-source contracts—a contracting method OMB discourages because it creates risks that taxpayer funds will be spent on wasteful and inefficient contracts. While the Federal Acquisition Regulation outlines situations in which noncompetitively awarded contracts can be justified, it also requires they

be adequately planned. In our fiscal year 2011 audit of noncompetitive FAA awards, we found that 8 of the 25 contracts reviewed were awarded without an effective price analysis, a planning requirement important for getting the best price in an environment lacking competition. We plan to examine whether DOT appropriately uses sole-source contracts and follows applicable Federal requirements.

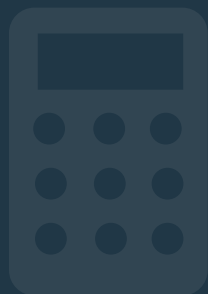
### FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST CONTRACT

(Also listed under "Aviation")

ADS-B is a new satellite-based surveillance system and a key part of FAA's plans to transition to NextGen. FAA awarded a contract for \$1.8 billion to develop and deploy the ADS-B ground infrastructure and start broadcasting services. The FAA Modernization and Reform Act of 2012 directed us to review FAA's award and oversight of any contract the Agency awarded for ADS-B services. In coordination with the Office of Aviation Audits, we plan to conduct an audit to determine whether FAA's ADS-B contract enables the Agency to monitor the contractor and ensure it provides required ADS-B products and services. We also plan to evaluate FAA's procedures for determining payments to the contractor.



# STATISTICAL PERFORMANCE DATA



# STATISTICAL PERFORMANCE DATA

## Summary of Performance

April 1, 2014 – September 30, 2014

Reports issued	97
Recommendations issued	297
Congressional testimonies	3
Total financial recommendations	\$20,891,000
That funds be put to better use	\$360,000
Questioned costs	\$20,531,000
Fines (and special assessments), restitution, and recoveries	\$28,653,700
Indictments	24
Convictions	25

# Audits

## Completed OIG Reports

April 1, 2014 – September 30, 2014

(dollars in thousands)<sup>a</sup>

Category	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds To Be Put to Better Use
<b>Internal Audits</b>					
Performance audits	26	138	\$7,343	\$0	\$360
<b>Total for internal audit reports</b>	<b>26</b>	<b>138</b>	<b>\$7,343</b>	<b>\$0</b>	<b>\$360</b>
<b>Grant Audits</b>					
Audits under Single Audit Act	71	159	\$13,188	\$0	\$0
<b>Total completed OIG reports</b>	<b>97</b>	<b>297</b>	<b>\$20,531</b>	<b>\$0</b>	<b>\$360</b>

<sup>a</sup> The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

DOT programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, our audits generally fall into one of three categories: (1) internal audits of departmental programs and operations, (2) audits of grant recipients, and (3) other OIG audits.

## Audits

# OIG Reports With Recommendations That Questioned Costs

April 1, 2014 – September 30, 2014

(dollars in thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs <sup>a</sup>
A For which no management decision had been made by the start of the reporting period	5	6	\$1,245	\$0
B Which were issued during the reporting period	24	27	\$20,531	\$0
<b>Totals (A+B)</b>	<b>29</b>	<b>33</b>	<b>\$21,776</b>	<b>\$0</b>
C For which a management decision was made during the reporting period	15	18	\$8,861	\$0
(i) dollar value of disallowed costs <sup>a</sup>	8	9	\$427	\$0
(ii) dollar value of costs not disallowed <sup>b</sup>	8	9	\$8,434	\$0
D For which no management decision had been made by the end of the reporting period	15	15	\$12,915	\$0

<sup>a</sup>Unsupported costs, if any, are also included in questioned costs.

<sup>b</sup>Includes reports and recommendations where costs were both allowed and disallowed.

## Audits

# OIG Reports With Recommendations That Funds Be Put to Better Use

April 1, 2014 – September 30, 2014

(dollars in thousands)

	Number of Reports	Number of Recommendations	Funds To Be Put to Better Use <sup>a</sup>
A For which no management decision had been made by the start of the reporting period	2	2	\$14,526
B Which were issued during the reporting period	1	1	\$360
<b>Totals (A+B)</b>	<b>3</b>	<b>3</b>	<b>\$14,886</b>
C For which a management decision was made during the reporting period	1	1	\$360
(i) dollar value of recommendations that were agreed to by management	0	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	1	1	\$360
D For which no management decision had been made by the end of the reporting period	2	2	\$14,526

## Audits

# OIG Reports Recommending Changes for Safety, Economy, or Efficiency

April 1, 2014 – September 30, 2014

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	Number of Reports	Number of Recommendations
A For which no management decision had been made by the start of the reporting period	27	63
B Which were issued during the reporting period	75	269
<b>Totals (A+B)</b>	<b>102</b>	<b>332</b>
C For which a management decision was made during the reporting period <sup>a</sup>	65	194
D For which no management decision had been made by the end of the reporting period <sup>a</sup>	50	138

<sup>a</sup> Includes reports where management both made and did not make decisions on recommendations.

## Audits

# Management Decisions Regarding OIG Recommendations

April 1, 2014 – September 30, 2014

(dollars in thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs <sup>a</sup>	Funds To Be Put to Better Use
Unresolved as of 04/01/2014	30	71	\$1,245	\$0	\$14,526
Audits with recommendations during current period	87	297	\$20,531	\$0	\$360
<b>Total to be resolved</b>	<b>117</b>	<b>368</b>	<b>\$21,776</b>	<b>\$0</b>	<b>\$14,886</b>
<b>Management Decisions</b>					
Prior period audits <sup>b</sup>	15	34	\$752	\$0	\$0
Current period audits <sup>b</sup>	60	179	\$8,110	\$0	\$360
<b>Total resolved</b>	<b>75</b>	<b>213</b>	<b>\$8,862</b>	<b>\$0</b>	<b>\$360</b>
<b>Age of Unresolved Audits<sup>c</sup></b>					
Less than 6 months old	39	118	\$12,422	\$0	\$0
6 months to 1 year	4	10	\$0	\$0	\$14,100
1 year to 18 months	5	10	\$0	\$0	\$0
18 months to 2 years	1	1	\$0	\$0	\$0
Over 2 years old	8	16	\$493	\$0	\$426
<b>Unresolved as of 09/30/2014</b>	<b>57</b>	<b>155</b>	<b>\$12,915</b>	<b>\$0</b>	<b>\$14,526</b>

<sup>a</sup> Unsupported costs, if any, are also included in questioned costs.

<sup>b</sup> Includes reports and recommendations where costs were both allowed and disallowed.

<sup>c</sup> Considered unresolved if management decisions have not been made on all report recommendations.

# Audits

## Published OIG Reports

April 1, 2014 – September 30, 2014

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### DEPARTMENTWIDE

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#### Internal Audits: Performance – 4 Reports

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Accuracy and Reliability of DOT's Improper Payment Reporting Can Be Improved  
FI-2014-037  
04/15/2014

We found that the Department's improper payment testing report for fiscal year 2013 included all of OMB's required IPERA reporting elements. However, one of FTA's tested programs—the Formula Grant Program—did not achieve its own target to reduce improper payments to 0.25 percent or less for fiscal year 2013. DOT's 2013 report also included inaccurate information on the number of payments tested, improper payment estimates for 2012, and costs of DOT's payment recapture audit. We made three recommendations to improve the accuracy and reliability of DOT's improper payment reporting.

Quality Control Review for the Audit of DOT Protection of Privacy Information  
QC-2014-053  
06/05/2014

CliftonLarsonAllen LLP concluded that DOT's privacy controls were not effective and made 10 recommendations to improve the Department's program. Our quality control review disclosed no instances in which CliftonLarsonAllen did not comply, in all material respects, with auditing standards.

Quality Control Review of the Audit of the Effectiveness of DOT's Earned Value Management Practices  
QC-2014-065  
07/17/2014

KPMG concluded that DOT's EVM processes and practices were not effective and made 14 recommendations to help the Department improve its EVM program. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

Actions Needed To Enhance Controls Over Travel Cards  
FI-2014-129  
09/18/2014

While DOT has successfully implemented controls to prevent cardholders from making purchases at businesses that do not provide travel-related services, it still lacks robust controls to prevent and detect instances of cash-advance abuse and purchase-card misuse. We made four recommendations to further strengthen DOT's program controls to protect the high volume of transactions from fraud, waste, and abuse.

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# Audits

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## FEDERAL AVIATION ADMINISTRATION

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### Internal Audits: Performance – 13 Reports

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FAA Oversight Is Inadequate To Ensure Proper Use of Los Angeles International Airport Revenue for Police Services and Maximization of Resources  
AV-2014-035  
04/09/2014

FAA's oversight did not prevent LAVA from using more than \$8 million in LAX revenues and funding—about \$7.87 million for services provided by the LAPD and over \$360,000 in administrative grant charges—without adequate documentation or support for these charges. In addition, LAVA spent approximately \$192,000 of airport revenue on unauthorized LAPD personnel working at LAX. Our review also found that LAVA could not demonstrate that it met Federal requirements to be as self-sustaining as possible in establishing rental rates for its non-aeronautical land leases. Finally, we detected about \$49 million in financial reporting discrepancies between the amounts LAVA reported in its statutorily required annual financial reports to FAA and its internal financial reports. We made six recommendations to improve FAA's oversight of airport revenue and the airport's self-sustainability. Put \$360,000 to better use.

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Further Actions Are Needed To Improve FAA's Oversight of the Voluntary Disclosure Reporting Program  
AV-2014-036  
04/10/2014

FAA has made progress in ensuring that air carrier disclosure reports meet VDRP requirements, but the Agency lacks awareness of the root causes that led to reported violations—in part because FAA does not require air carriers to identify or document the root cause of a violation when they submit a self-disclosure. Furthermore, FAA does not ensure that air carriers fully implement corrective actions or verify whether the actions are adequate at resolving problems. We also found that FAA does not effectively collect, analyze, and trend VDRP data to identify safety risks at the national level. We made eight recommendations to improve FAA's VDRP oversight and its ability to identify safety risks using VDRP data.

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Reductions in Competition Increase Airline Flight Delays and Cancellations  
CR-2014-040  
04/23/2014

We found that variation in airline service quality related substantially to changes in the level of competition within airline markets. We also found that the degree to which competition affected service quality depended on initial levels of competition. Following a reduction in competition, markets that started out fairly competitive experienced the greatest increase in delay length, and those that started out with fairly limited service options experienced the greatest increase in the cancellation rate. We made no recommendations in this report.

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# Audits

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<p>Weaknesses Exist in FAA's Security Controls for the Traffic Flow Management System FI-2014-052 06/05/2014</p>	<p>We determined whether (1) FAA's security controls minimize the risk of system compromise, and (2) FAA's contingency plan limits the effect of the loss of availability of TFMS's data. The Department has determined that this report contains sensitive security information that is controlled under Title 49 Code of Federal Regulations Parts 15 and 1520. If you would like a copy of this report with sensitive security information redacted, please contact our Freedom of Information Act Office.</p>
<p>New Disadvantaged Business Enterprise Firms Face Barriers to Obtaining Work at the Nation's Largest Airports ZA-2014-055 06/12/2014</p>	<p>Our review determined that 83 new DBE firms were awarded contracts and leases in fiscal year 2012, representing only about 5 percent of the approximately 1,600 DBE firms doing business at the Nation's 64 largest airports. While airports are taking steps to encourage awards to new entrants, new firms still face major barriers to obtaining work. We made three recommendations to help the Department and FAA promote and track new DBE/ACDBE participation at the Nation's major airports.</p>
<p>Weak Processes Have Led to a Backlog of Flight Standards Certification Applications AV-2014-056 06/12/2014</p>	<p>The Denver FSDO and other FAA field offices face a significant backlog of aviation certification applications. At the time of our review, there were 42 applicants on the waiting list for certification at the Denver FSDO—one of the longest waitlists in the country. In addition, as of October 2013, there were more than 1,000 entities nationwide awaiting certification. Several factors have contributed to the Denver FSDO backlog, including an ineffective process for prioritizing and tracking new certificate applications, competing priorities, and constantly changing guidance from Headquarters. We also found some of these issues at other FAA field offices we reviewed. We made four recommendations to improve the efficiency and effectiveness of FAA's certification process.</p>

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# Audits

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FAA Faces Significant Obstacles  
in Advancing the Implementation  
and Use of Performance-Based  
Navigation Procedures  
AV-2014-057  
06/17/2014

FAA has deployed PBN procedures and has key projects under way, including adding new procedures at 13 major metropolitan areas. However, use of high-value procedures remains low. Several obstacles hinder FAA's efforts to increase implementation and use of PBN procedures, including outdated controller policies, the lack of standard training for pilots and controllers, and the lack of automated controller tools. In addition, the NAV Lean Project has not met stakeholder demand for improved flight procedure development processes. FAA has completed 9 of the 21 NAV Lean recommendations and is making progress on the remaining ones. However, some of the most complex recommendations remain, and industry will not receive NAV Lean's full benefits until FAA implements all recommendations, currently planned for September 2015. We made three recommendations to help FAA mitigate barriers to PBN implementation and expedite the development of new procedures.

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FAA Is Not Effectively Managing  
Air Traffic Controller Mid-Term  
Bargaining Agreements  
AV-2014-059  
06/19/2014

FAA incurred unanticipated costs and remains at risk of further cost increases primarily due to two provisions in the 2012 CBA extension: (1) mid-term bargaining and (2) pay-setting rules. Although both provisions serve legitimate purposes, FAA's ineffective management of these provisions resulted in several costly mid-term bargaining agreements between the Agency and NATCA. In addition, FAA's internal controls have been ineffective, in part because FAA Headquarters has not followed its established policies to control costs. Because FAA has not followed its internal control policies, the total number of mid-term agreements and their true cost impact remains unknown. We made four recommendations to improve FAA's management and oversight of the provisions of the 2012 CBA extension.

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# Audits

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FAA Operational and Programmatic Deficiencies Impede Integration of Runway Safety Technologies  
AV-2014-060  
06/26/2014

While FAA requires additional funding to upgrade and maintain ASDE-X's current performance levels and meet anticipated increases in air traffic, FAA does not know how the upgrade process may affect ASDE-X's performance. The RWSL program, which uses ASDE-X data, has experienced operational and technical issues, and FAA rebaselined the program last summer, significantly increasing costs, reducing the number of planned systems, and delaying program completion. Further, it remains unclear when or how ADS-B will enhance pilots' situational awareness on the runway. Finally, FAA's planning documents for implementing runway safety technologies lack key details on priorities, timing, and accountability. We made three recommendations to aid FAA's efforts to integrate surface surveillance technologies and promote runway safety.

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FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System  
AV-2014-061  
06/26/2014

Although FAA is taking steps to advance UAS operations, significant technological barriers remain in achieving safe integration—largely because current UAS have a limited ability to detect and avoid other air traffic. In addition, FAA has not established a regulatory framework for UAS integration, such as aircraft certification requirements, standard air traffic procedures, or an adequate controller training program. FAA is also not effectively collecting and analyzing UAS safety data or managing its oversight of UAS operations. Furthermore, the Agency is significantly behind schedule in meeting most of the UAS-related provisions of the FAA Modernization and Reform Act, including the August 2014 milestone for issuing a final rule on small UAS operations. We made 11 recommendations to enhance the effectiveness of its efforts to safely integrate UAS into the NAS.

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FAA Lacks the Metrics and Data Needed To Accurately Measure the Outcomes of Its Controller Productivity Initiatives  
AV-2014-062  
07/09/2014

Since 1998, FAA has implemented 51 initiatives intended to increase controller productivity, reduce operating costs, and improve training and hiring practices. However, according to FAA, only two of these initiatives resulted in measurable cost savings totaling approximately \$4.5 million, while six initiatives actually increased Agency costs. In addition, FAA has been unable to demonstrate the results of many controller productivity initiatives largely because it has missed opportunities to assess their effectiveness. Further, FAA does not systematically collect or analyze controller workforce data to reduce cost or improve productivity. We made five recommendations to improve the effectiveness of its controller productivity initiatives and data collection at air traffic control facilities.

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# Audits

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<p>ADS-B Benefits Are Limited Due to a Lack of Advanced Capabilities and Delays in User Equipage AV-2014-105 09/11/2014</p>	<p>FAA recently completed ADS-B's ground infrastructure with the deployment of 624 ground radio stations in April 2014. However, controller and pilot use of ADS-B throughout the NAS remains years away, in part because FAA has yet to resolve significant hazards identified during operational testing or conduct more rigorous testing of the entire system. Moreover, while ADS-B will provide some useful services—particularly in areas with no radar coverage—the system's initial capabilities and benefits are limited. Finally, the total cost and timeline to implement ADS-B and provide benefits for FAA and airspace users remain uncertain. FAA has increased its cost estimates for the total program by approximately \$400 million and continues to adjust expected ADS-B benefits. We made six recommendations to ensure ADS-B is operationally suitable, safe to deploy in the NAS, and a viable program.</p>
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<p>Management Limitations May Hinder FAA's Ability To Fully Implement and Assess the Effectiveness of Its Runway Safety Initiatives AV-2014-130 09/25/2014</p>	<p>FAA has implemented 8 of the 11 initiatives in its 2007 Call to Action Plan for Runway Safety, as well as several other national-level initiatives. However, FAA began reorganizing the Runway Safety Group in 2011, and nearly 3 years later it remains in flux. FAA also lacks a baseline for measuring its progress in improving runway safety. In 2012, FAA revised the reporting process for runway incursions, which FAA indicates has increased the reporting of such events. However, the lack of metrics makes it uncertain if this represents an increase in the number of actual events. We made five recommendations aimed at improving the effectiveness of FAA's Runway Safety Program.</p>
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## Grant Audits: Audits of Grantee Under Single Audit Act – 6 Reports

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<p>City of Kansas City, MO SA-2014-067 08/01/2014</p>	<p>OIG recommends FAA improve grantee oversight.</p>
<p>City of Atlanta, GA SA-2014-068 08/01/2014</p>	<p>OIG recommends FAA improve grantee oversight.</p>
<p>Town of Kentland, IN SA-2014-075 08/01/2014</p>	<p>OIG recommends FAA improve grantee oversight. \$105,200 questioned.</p>

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## Audits

<p>Federated States of Micronesia SA-2014-102 09/10/2014</p>	<p>OIG recommends FAA improve grantee oversight. \$203,683 questioned.</p>
<p>Gary Chicago International Airport Authority, Lake County, IN SA-2014-104 09/10/2014</p>	<p>OIG recommends FAA improve grantee oversight. \$9,329,501 questioned.</p>
<p>State of Michigan (<i>also listed under Federal Highway Administration and the Federal Railroad Administration</i>) SA-2014-108</p>	<p>Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FAA, and FRA improve grantee oversight. \$46,868 questioned.</p>
<p>City of Atlanta, GA QC-2014-109 09/12/2014</p>	<p>KPMG rendered an unmodified opinion on the city's financial statements and compliance with DOT's major program requirements for the Airport Improvement Program and the Highway Planning and Construction Program. Our quality control review determined that KPMG's audit work was acceptable with deficiencies and, therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that KPMG's opinion on DOT's major program was inappropriate or unreliable.</p>
<p>National Academy of Sciences, Washington, DC (<i>also listed under Federal Highway Administration</i>) SA-2014-112 09/12/2014</p>	<p>OIG recommends FAA and FHWA improve grantee oversight.</p>
<p>Metropolitan Washington Airports Authority (<i>also listed under the Federal Transit Administration</i>) QC-2014-118 09/17/2014</p>	<p>Bert Smith rendered an unmodified opinion on MWAA's compliance with DOT's major program requirements for the Airport Improvement Program and the Federal Transit Cluster. Our quality control review determined that Bert Smith's audit work was acceptable with deficiencies and, therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Bert Smith's opinion on DOT's major programs was inappropriate or unreliable.</p>

# Audits

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## FEDERAL HIGHWAY ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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FHWA's Workforce Planning Processes Generally Align With Best Practices, But Some Components Are Inconsistently Implemented or Lack MAP-21 Consideration  
MH-2014-058  
06/19/2014

FHWA's workforce planning processes generally align with best practices identified by GAO. However, FHWA's individual offices were inconsistent in how they prepared workforce plans, which are key to effective planning as most of FHWA's employees are widely dispersed throughout the country. FHWA's offices also did not consistently interpret employee survey results—critical tools to identify and address workforce and human resource issues. In addition, FHWA has not conducted a comprehensive assessment of MAP-21's impact on its workforce. We made four recommendations to help FHWA improve individual office workforce plans, promote consistent interpretation of employee survey results, and evaluate the impact of MAP-21 on its workforce.

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FHWA Has Not Fully Implemented All MAP-21 Bridge Provisions and Prior OIG Recommendations  
MH-2014-089  
08/21/2014

FHWA completed 12 of 24 actions identified to implement MAP-21 bridge safety and funding provisions. Of the actions in progress, two MAP-21 rulemakings regarding asset management and performance management are behind schedule and may delay States' implementation of key performance and accountability requirements by at least 1 year later than specified in MAP-21. Four of our 16 prior bridge-related recommendations remain open. These recommendations focus on collecting bridge expenditure data, reporting on States' actions to improve the condition of deficient bridges, and collecting more detailed condition data for all bridges on public roads so that FHWA can better monitor nationwide bridge conditions and identify safety risks. We made five new recommendations to update or clarify guidance, establish target action dates, and include information in a required report to Congress.

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# Audits

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## Grant Audits: Audits of Grantee Under Single Audit Act – 32 Reports

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State of Arizona QC-2014-039 04/22/2014	The State Auditor General, contracted with Heinfeld, Meech & Co., P.C., rendered unqualified opinions on the State's financial statements and the State's compliance with DOT's program requirements for the Federal Highway Planning and Construction Cluster. Our quality control review determined that Heinfeld Meech's work was acceptable with deficiencies. The audit work generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that Heinfeld Meech's opinion on DOT's major program, provided to the Auditor General in a separate report, was inappropriate or unreliable.
Spirit Lake Tribe, North Dakota SA-2014-45 05/21/2014	OIG recommends FHWA improve grantee oversight. \$17,190 questioned.
South Carolina Department of Transportation SA-2014-050 05/21/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.
Klawock Cooperative Association, Klawock, AK SA-2014-072 08/01/2014	OIG recommends FHWA improve grantee oversight. \$19,004 questioned.
Commonwealth of North Mariana Islands SA-2014-073 08/01/2014	OIG recommends FHWA improve grantee oversight. \$118,565 questioned.
State of West Virginia SA-2014-076 08/01/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.

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# Audits

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Wyoming Department of Transportation ( <i>also listed under Federal Transit Administration and National Highway Traffic Administration</i> ) SA-2014-077 08/01/2014	OIG recommends FHWA, FTA, and NHTSA improve grantee oversight.
Commonwealth of Virginia SA-2014-078 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of North Carolina ( <i>also listed under the Federal Railroad Administration and the Federal Transit Administration</i> ) SA-2014-079 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FRA, and FTA improve grantee oversight.
Government of the United States Virgin Islands SA-2014-081 08/01/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.
State of Florida SA-2014-082 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of Georgia ( <i>also listed under Federal Transit Administration</i> ) SA-2014-084 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
State of Delaware ( <i>also listed under the Federal Transit Administration</i> ) SA-2014-085 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight.

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## Audits

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Commonwealth of Pennsylvania SA-2014-086 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of Nevada SA-2014-087 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of Rhode Island and Providence Plantations SA-2014-093 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight. \$90,842 questioned.
State of Tennessee ( <i>also listed under Federal Transit Administration</i> ) SA-2014-095 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight. \$46,167 questioned.
State of Connecticut ( <i>also listed under the Federal Railroad Administration and Federal Transit Administration</i> ) SA-2014-096 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FRA, and FTA improve grantee oversight. \$1,179,304 questioned.
State of Arizona ( <i>also listed under Federal Transit Administration</i> ) SA-2014-097 09/08/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA and FTA improve grantee oversight.
State of New Jersey SA-2014-098 09/10/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.

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# Audits

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State of Hawaii, Department of Transportation Highways Division <i>(also listed under the National Highway Traffic Safety Administration)</i> SA-2014-099 09/10/2014	OIG recommends FHWA and NHTSA improve grantee oversight. \$111,284 questioned.
State of California <i>(also listed under the Federal Railroad Administration and Federal Transit Administration)</i> SA-2014-100 09/10/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FRA, and FTA improve grantee oversight.
State of Michigan <i>(also listed under Federal Aviation Administration and the Federal Railroad Administration)</i> SA-2014-108 09/12/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FAA, and FRA improve grantee oversight. \$46,868 questioned.
Government of Guam SA-2014-111 09/12/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.
National Academy of Sciences, Washington, DC <i>(also listed under Federal Aviation Administration)</i> SA-2014-112 09/12/2014	OIG recommends FHWA and FAA improve grantee oversight.
State of Texas SA-2014-115 09/12/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight. \$13,700 questioned.

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## Audits

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State of Illinois ( <i>also listed under Federal Railroad Administration, Federal Transit Administration, and the Office of the Secretary</i> ) SA-2014-116 09/12/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FRA, FTA, and OST improve grantee oversight.
State of Louisiana SA-2014-119 09/17/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight. \$144,228 questioned.
Government of the District of Columbia SA-2014-120 09/17/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
Government of the United States Virgin Islands SA-2014-123 09/17/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.
Territory of American Samoa SA-2014-126 09/17/2014	OIG recommends FHWA improve grantee oversight.
Cheyenne River Sioux Tribe, South Dakota SA-2014-128 09/17/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight. \$152,057 questioned.

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# Audits

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## FEDERAL RAILROAD ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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Inadequate Planning, Limited Revenue, and Rising Costs Undermine Efforts To Sustain Washington, DC's, Union Station  
FI-2014-033  
04/01/2014

While FRA retains authority for adopting and enforcing building and safety codes, this authority has not been effectively executed, raising concerns about potential lapses in safety oversight. DOT and FRA have relied on USRC to effectively manage Union Station. However, USRC has not adequately planned for Union Station's future. In addition, Union Station's capital maintenance reserve fund is at risk of depletion and faces a potential shortfall of more than \$5 million by September 30, 2014. The actual extent of the shortfall cannot be accurately estimated because the condition of various building components is unknown. We made five recommendations to improve the management and oversight of Union Station.

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Process Inefficiencies and Costs Discourage Participation in FRA's RRIF Program  
CR-2014-054  
06/10/2014

Inadequate guidance on RRIF eligibility criteria and application requirements, and ineffective pre-application meetings resulted in submission of incomplete applications and extended processing times. Furthermore, before a loan's terms can be finalized, it has to be reviewed by FRA; its independent financial analyst, the DOT Credit Council; and OMB. Because of these sequential reviews, FRA rendered decisions for only 2 of the 6 complete applications within the statutory 90 days. Passenger and large freight railroads informed us that the program's unclear process and uncertain timeframes for final decisions outweighed program benefits and deterred them from applying. We made five recommendations to FRA.

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# Audits

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## Grant Audits: Audits of Grantee Under Single Audit Act – 7 Reports

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National Railroad Passenger Corporation and Subsidiaries (Amtrak) QC-2014-038 04/22/2014	E&Y rendered an unqualified opinion on Amtrak's financial statements and a qualified opinion on compliance with DOT's major program requirements for the National Railroad Passenger Corporation Grants. Our quality control review of determined that E&Y's audit work was acceptable with deficiencies and, therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that E&Y's opinion on DOT's major program was inappropriate or unreliable.
Commonwealth of Massachusetts SA-2014-074 08/01/2014	A findings concerning the use of ARRA funds was identified. OIG recommends FRA improve grantee oversight.
State of North Carolina ( <i>also listed under the Federal Highway Administration and the Federal Transit Administration</i> ) SA-2014-079 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FRA, FHWA, and FTA improve grantee oversight.
State of Connecticut ( <i>also listed under Federal Highway Administration and Federal Transit Administration</i> ) SA-2014-096 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FRA, FHWA, and FTA improve grantee oversight. \$1,179,304 questioned.
State of California ( <i>also listed under the Federal Highway Administration and Federal Transit Administration</i> ) SA-2014-100 09/10/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FRA, FHWA, and FTA improve grantee oversight.

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# Audits

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State of Michigan (*also listed under Federal Aviation Administration and the Federal Highway Administration*)  
SA-2014-108  
09/12/2014

Findings concerning the use of ARRA funds were identified. OIG recommends FRA, FAA and FHWA improve grantee oversight. \$46,868 questioned.

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State of Illinois (*also listed under Federal Highway Administration, Federal Transit Administration, and the Office of the Secretary*)  
SA-2014-116  
09/12/2014

Findings concerning the use of ARRA funds were identified. OIG recommends FRA, FHWA, FTA, and OST improve grantee oversight.

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## FEDERAL TRANSIT ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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ARRA Lessons Learned: FTA Needs To Improve Its Grant Oversight To Prevent Improper Payments  
FI-2014-034  
04/02/2014

FTA's oversight of its ARRA grantees did not prevent or detect approximately \$7.3 million in improper payments to 10 of the 16 grantees in our sample. Approximately \$5.9 million, or 80 percent, were paid-for charges that grantees did not sufficiently document. FTA's oversight also did not ensure that grantees justified the use of their own labor forces, known as force account work, for preventive maintenance. Of the transactions we reviewed, FTA reimbursed over \$253.5 million for force account work for preventive maintenance without complete plans or, in some cases, without any plans. We made five recommendations to strengthen oversight of grantees to prevent and detect improper payments for current and future Federal-aid projects and assist the Agency in recovering improper payments. \$7,343,105 questioned.

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FTA's National Transit Database: Data Used for Allocating Transit Grants Were Generally Supported  
MH-2014-117  
09/16/2014

All 15 transit agencies in our sample provided support for data on operating expenses. For data on transit service characteristics, 4 of the 15 agencies had minor weaknesses in documentation. While FTA has implemented a range of controls to oversee transit agencies' NTD reporting, it does not have a systematic process to ensure consistent follow up on recurring NTD data problems identified in its annual reviews. In addition, FTA no longer examines the collection and reporting of NTD data in its triennial reviews of transit agencies. We made three recommendations to enhance the Agency's oversight controls and guidance for NTD reporting.

# Audits

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## Grant Audits: Audits of Grantee Under Single Audit Act – 36 Reports

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County of Broome, NY SA-2014-042 05/21/2014	OIG recommends FTA improve grantee oversight.
Washington Area Metropolitan Transit Authority SA-2014-043 05/21/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
New Jersey Transit Corporation SA-2014-044 05/21/2014	OIG recommends FTA improve grantee oversight.
Massachusetts Bay Transportation Authority SA-2014-046 05/21/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
State of Maryland SA-2014-047 05/21/2014	OIG recommends FTA improve grantee oversight. \$140,428 questioned.
Orange County Transportation Authority, California SA-2014-048 05/21/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
Southeastern Pennsylvania Transportation Authority SA-2014-049 05/21/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
Southeast Michigan Council of Governments SA-2014-051 05/21/2014	OIG recommends FTA improve grantee oversight. \$16,105 questioned.

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# Audits

<p>Quality Control Review on the Central Puget Sound Regional Transit Authority QC-2014-063 07/15/2014</p>	<p>KPMG rendered an unmodified opinion on Sound Transit's financial statements and compliance with DOT's major program requirements for the Federal Transit Cluster and Clean Fuels. Our quality control review determined that KPMG's audit work was acceptable. We found nothing to indicate that KPMG's opinion on DOT's major programs was inappropriate or unreliable.</p>
<p>City of Roseville, CA SA-2014-066 08/01/2014</p>	<p>A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.</p>
<p>Suburban Mobile Authority for Regional Transportation, Detroit, MI SA-2014-069 08/01/2014</p>	<p>A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.</p>
<p>OminTrans, San Bernadino, CA SA-2014-070 08/01/2014</p>	<p>Findings concerning the use of ARRA funds were identified. OIG recommends FTA improve grantee oversight.</p>
<p>Metropolitan Transit Authority of Harris County, TX SA-2014-071 08/01/2014</p>	<p>Findings concerning the use of ARRA funds were identified. OIG recommends FTA improve grantee oversight. \$22,238 questioned.</p>
<p>Wyoming Department of Transportation <i>(also listed under Federal Highway Administration and National Highway Traffic Safety Administration)</i> SA-2014-077 08/01/2014</p>	<p>OIG recommends FTA, FHWA, and NHTSA improve grantee oversight.</p>
<p>State of North Carolina <i>(also listed under Federal Highway Administration and Federal Railroad Administration)</i> SA-2014-079 08/01/2014</p>	<p>Findings concerning the use of ARRA funds were identified. OIG recommends FTA, FHWA, and FRA improve grantee oversight.</p>

# Audits

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State of Alaska ( <i>also listed under National Highway Traffic Safety Administration</i> ) SA-2014-083 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and NHTSA improve grantee oversight.
State of Georgia ( <i>also listed under Federal Highway Administration</i> ) SA-2014-084 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
State of Delaware ( <i>also listed under Federal Highway Administration</i> ) SA-2014-085 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
King County, WA QC-2014-091 08/26/2014	The State Auditor rendered an unmodified opinion on the county's financial statements and compliance with DOT's major programs requirements for the Federal Transit Cluster and the Highway Planning and Construction Cluster. Our quality control review determined that the State Auditor's audit work was acceptable and, therefore, met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that the State Auditor's opinion on DOT's major program was inappropriate or unreliable.
Quality Control Review of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation QC-2014-092 08/26/2014	KPMG issued a clean unmodified audit opinion on METRA's financial statements and a qualified opinion on METRA's compliance with DOT's major program requirements for the Federal Transit Cluster. Our quality control review determined that KPMG's audit work was acceptable and, therefore, met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that KPMG's opinion on DOT's major program was inappropriate or unreliable and disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

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# Audits

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State of Rhode Island and Providence Plantations ( <i>also listed under Federal Highway Administration</i> ) SA-2014-093 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight. \$90,842 questioned.
Yuma County Intergovernmental Public Transportation Authority, Arizona SA-2014-094 09/08/2014	OIG recommends FTA improve grantee oversight. \$162,326 questioned.
State of Tennessee ( <i>also listed under Federal Highway Administration</i> ) SA-2014-095 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight. \$46,167 questioned.
State of Connecticut ( <i>also listed under Federal Highway Administration and Federal Railroad Administration</i> ) SA-2014-096 09/08/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA, FHWA, and FRA improve grantee oversight. \$1,179,304 questioned.
State of Arizona ( <i>also listed under Federal Highway Administration</i> ) SA-2014-097 09/08/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA and FHWA improve grantee oversight.
City of Fort Smith, AR SA-2014-101 09/10/2014	OIG recommends FTA improve grantee oversight. \$53,625 questioned.
State of Nebraska ( <i>also listed under the National Highway Traffic Safety Administration</i> ) SA-2014-103 09/10/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and NHTSA improve grantee oversight. \$124,888 questioned.

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# Audits

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State of California ( <i>also listed under Federal Highway Administration and Federal Railroad Administration</i> ) SA-2014-100 09/10/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA, FHWA, and FRA improve grantee oversight.
San Francisco Municipal Transportation Agency, California QC-2014-106 09/12/2014	KPMG rendered an unmodified opinion on San Francisco Municipal Transportation Agency's financial statements and compliance with DOT's major program requirements for the Federal Transit Cluster. Our quality control review determined that KPMG's audit work was acceptable and, therefore, met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that KPMG's opinion on DOT's major program was inappropriate or unreliable.
Sacramento Regional Transit District, California QC-2014-107 09/12/2014	Gilbert Associates Inc. rendered an unmodified opinion on the district's financial statements and compliance with DOT's major program requirements for the Federal Transit Cluster. Our quality control review determined that Gilbert's audit work was acceptable and, therefore, met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that Gilbert's opinion on DOT's major program was inappropriate or unreliable.
Southern California Regional Rail Authority, Los Angeles, CA SA-2014-113 09/12/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
State of Illinois ( <i>also listed under Federal Highway Administration, Federal Railroad Administration, and the Office of the Secretary</i> ) SA-2014-116 09/12/2014	Findings concerning the use of ARRA funds were identified. OIG recommends FTA, FHWA, FRA, and OST improve grantee oversight.

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# Audits

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Metropolitan Washington Airports Authority ( <i>also listed under the Federal Aviation Administration</i> ) QC-2014-118 09/17/2014	Bert Smith rendered an unmodified opinion on MWAA's compliance with DOT's major program requirements for the Airport Improvement Program and the Federal Transit Cluster. Our quality control review determined that Bert Smith's audit work was acceptable with deficiencies and, therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Bert Smith's opinion on DOT's major programs was inappropriate or unreliable.
Livingston County, MI SA-2014-121 09/17/2014	OIG recommends FTA improve grantee oversight. \$189,223 questioned.
Miami-Dade Transit, FL SA-2014-122 09/17/2014	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
Los Angeles County Metropolitan Transportation Authority, California SA-2014-124 09/17/2014	OIG recommends FTA improve grantee oversight.
Utah Transit Authority, Salt Lake City, UT SA-2014-127 09/17/2014	OIG recommends FTA improve grantee oversight. \$10,862 questioned.

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# Audits

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## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

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### Internal Audits: Performance – 1 Report

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Enhanced Monitoring Tools Are Needed To Improve NHTSA's Oversight of Highway Safety Grants MH-2014-088 08/21/2014	Our review determined that NHTSA grantees in Region 5 generally met key Federal grant requirements, but the Agency lacks strategies for addressing delayed expenditures of grant funds and targeting higher risk grantees. In addition, all of NHTSA's regional offices conduct triennial management reviews of grantees; however, the Agency does not sufficiently track grantee deficiencies identified in these reviews or have sufficient tools to identify and mitigate systemic nationwide issues. We made four recommendations to NHTSA.
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### Grant Audits: Audits of Grantee Under Single Audit Act – 36 Reports

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Wyoming Department of Transportation ( <i>also listed under Federal Highway Administration and Federal Transit Administration</i> ) SA-2014-077 08/01/2014	OIG recommends NHTSA, FHWA, and FTA improve grantee oversight.
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State of Alaska ( <i>also listed under Federal Transit Administration</i> ) SA-2014-083 08/01/2014	Findings concerning the use of ARRA funds were identified. OIG recommends NHTSA and FTA improve grantee oversight.
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State of Hawaii, Department of Transportation Highways Division ( <i>also listed under Federal Highway Administration</i> ) SA-2014-099 09/10/2014	OIG recommends NHTSA and FHWA improve grantee oversight. \$111,284 questioned.
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State of Nebraska ( <i>also listed under Federal Transit Administration</i> ) SA-2014-103 09/10/2014	Findings concerning the use of ARRA funds were identified. OIG recommends NHTSA and FTA improve grantee oversight. \$16,789 and \$108,169 questioned.
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# Audits

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State of Ohio SA-2014-125 09/17/2014	OIG recommends NHTSA improve grantee oversight.
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## OFFICE OF THE SECRETARY OF TRANSPORTATION

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### Grant Audits: Audits of Grantee Under Single Audit Act – 4 Reports

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State of Maine SA-2014-080 08/01/2014	A finding concerning the use of ARRA funds was identified. OIG recommends OST improve grantee oversight.
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City of Long Beach, CA SA-2014-110 09/12/2014	A finding concerning the use of ARRA funds was identified. OIG recommends OST improve grantee oversight. \$890,723 questioned.
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State of Missouri SA-2014-114 09/12/2014	A finding concerning the use of ARRA funds was identified. OIG recommends OST improve grantee oversight.
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State of Illinois ( <i>also listed under Federal Highway Administration, Federal Railroad Administration, and Federal Transit Administration</i> ) SA-2014-116 09/12/2014	Findings concerning the use of ARRA funds were identified. OIG recommends OST, FHWA, FRA, and FTA improve grantee oversight.
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# Audits

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## PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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PHMSA's State Pipeline Safety Program Lacks Effective Management and Oversight  
AV-2014-041  
05/07/2014

PHMSA's guidelines, policies, and procedures for State pipeline safety programs lack elements to ensure State inspections cover all Federal requirements and pipeline operators maintain safety standards. The staffing formula in the guidelines is outdated. The guidelines also lack sufficient detail on States' use of risk factors for scheduling inspections and do not require PHMSA evaluators to review the adequacy of States' inspection procedures. Furthermore, PHMSA lacks formal written procedures to guide its triennial reviews of State programs' expenditures. PHMSA's oversight of State pipeline safety programs also does not ensure that States comply with program evaluation requirements and properly use all grant funds. Finally, PHMSA has neither provided States with sufficient guidance on suspension funds nor completed financial audits of their use. We made seven recommendations to improve PHMSA's oversight of State pipeline safety programs and grants.

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PHMSA Has Addressed Most Weaknesses We Identified in Its Special Permit and Approval Processes  
MH-2014-064  
07/17/2014

PHMSA has implemented SOPs and addressed weaknesses that we found during our previous audit work. The SOPs describe processes for assessing the fitness of entities applying for special permits and approvals and evaluating measures for achieving safety levels required by the HMR. PHMSA processed all sampled special permit applications and most sampled approval applications in accordance with the SOPs. However, files for several applications for explosives classification approvals lacked evaluation forms that document the reasons for technical officers' safety recommendations. PHMSA took steps during our audit to address this internal control weakness. The Agency also appropriately coordinates applications with other Operating Administrations based on SOP criteria when applications are mode-specific, precedent setting, or meet a specific condition, such as transporting lithium ion batteries by air. PHMSA has also conducted inspections and taken other steps to strengthen its oversight of third-party agencies that inspect cylinder applicants, test explosives, and certify hazmat packaging on PHMSA's behalf. We made two recommendations to improve internal controls.

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## Audits

# OIG Congressional Testimonies

April 1, 2014 – September 30, 2014

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Identifying and Investigating Vehicle Safety Defects CC-2014-015 04/02/2014	Before the Senate Commerce, Science, and Transportation Subcommittee on Consumer Protection, Product Safety, and Insurance
Progress and Challenges in Meeting Expectations for NextGen CC-2014-023 06/25/2014	Before the Senate Commerce, Science, and Transportation Subcommittee on Aviation Operations, Safety, and Security
NHTSA's Oversight of Vehicle Safety Defects and Highway Safety Grants CC-2014-029 09/16/2014	Before the Senate Commerce, Science, and Transportation Subcommittee on Consumer Protection, Product Safety, and Insurance

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## Audits

# Unresolved Recommendations Over 6 Months Old

April 1, 2014 – September 30, 2014

<b>Cited in Semiannual Report for April 1, 2010 - September 30, 2010</b>	
Information Security and Privacy Controls Over the Airmen Medical Support Systems (FI-2010-069)	06/18/2010
<b>Cited in Semiannual Report for October 1, 2010 - March 31, 2011</b>	
FAA Did Not Ensure Revenue Was Maximized at Denver International Airport (AV-2011-057)	02/28/2011
FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance–Broadcast Program and Realizing Benefits (AV-2011-002)	10/12/2010
<b>Cited in Semiannual Report for April 1, 2011 - September 30, 2011</b>	
More Rigorous Oversight Is Needed To Ensure Venice Municipal Airport Land Sales and Leases Are Used Appropriately (AV-2011-180)	09/29/2011
<b>Cited in Semiannual Report for October 1, 2011 – March 31, 2012</b>	
New Approaches Are Needed To Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance (AV-2012-027)	12/20/2011
<b>Cited in Semiannual Report for April 1, 2012 – September 31, 2012</b>	
Weaknesses in Program and Contract Management Contribute to ERAM Delays and Put Other Nextgen Initiatives At Risk (AV-2012-179)	09/13/2012
FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program (AV-2012-170)	08/22/2012

# Audits

Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152)	07/19/2012
Status of Transformational Programs and Risks to Achieving NextGen Goals (AV-2012-094)	04/23/2012
<b>Cited in Semiannual Report for October 1, 2012 – March 31, 2013</b>	
FAA and Industry Are Advancing the Airline Safety Act, but Challenges Remain To Achieve Its Full Measure (AV-2013-037)	01/31/2013
<b>Cited in Semiannual Report for April 1, 2013 – September 30, 2013</b>	
National Railroad Passenger Corporation (Amtrak) (SA-2013-134)	09/13/2013
FHWA Is Monitoring Unexpended Recovery Act Highway Funds, but Some Funds May Remain Unused (MH-2013-122)	09/4/2013
City of Tucson, AZ (SA-2013-107)	07/12/2013
FAA's Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures (FI-2013-101)	06/27/2013
Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives (ZA-2013-072)	04/23/2013
<b>Cited in Semiannual Report for October 1, 2013 – March 31, 2014</b>	
Addressing Underlying Causes for NextGen Delays Will Require Sustained FAA Leadership and Action (AV-2014-031)	02/25/2014
FAA Needs To Improve ATCOTS Contract Management To Achieve Its Air Traffic Controller Training Goals (ZA-2014-018)	12/18/2013
Quality Control Review of the Federal Aviation Administration's Audited Financial Statements for Fiscal Years 2013 and 2012 (QC-2014-014)	12/13/2013
Initial Assessment of FTA's Oversight of the Emergency Relief Program and Hurricane Sandy Relief Funds (MH-2014-008)	12/03/2013

## Investigations

### Financial Impact

April 1, 2014 – September 30, 2014

<b>Type</b>	<b>Amount</b>
Fines (and special assessments)	\$3,759,476
Restitution	\$3,373,259
Recoveries	\$21,520,965
<b>Total</b>	<b>\$28,653,700</b>

## Investigations

### OIG Hotline Contacts

April 1, 2014 – September 30, 2014

<b>Method of Contact</b>	<b>Number</b>
Email	1,980
Fax	0
Letters	138
Web	43
Telephone	764
Walk-ins	1
<b>Total</b>	<b>2,926</b>

## Investigations

### Judicial and Administrative Actions

April 1, 2014 – September 30, 2014

Type of Action	Number	Type of Action	Number
Indictments	24	Employee reprimand	1
Convictions	25	Employee resigned/retired during investigation	4
Pre-trial diversion	6	Employee suspension	2
Years incarceration	36.2	Employee downgrade	1
Years supervised release	44.5	Certification/License/Permit revoked/terminated	4
Years probation	46.5	Corrective action taken	2
Hours community service	605	Compliance agreement	2
Business debarment	4	Enforcement action taken	3
Business suspension	9	Federal funds reduced	5
Individual debarment	10	Disallowance of DBE credit	1
Individual suspension	11	Public interest exclusion referral	1
Employee removal	1	Regulation/Rule revised	2

## Investigations

### Investigative Workload and Judicial Referrals

April 1, 2014 – September 30, 2014

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#### Investigative Workload

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Current investigations	447
Investigations opened	136
Investigations closed	121

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#### Judicial Referrals

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Referred for criminal prosecution	113
Accepted for criminal prosecution	69
Declined for criminal prosecution	87
Referred for civil prosecution	15
Accepted for civil prosecution	7
Declined for civil prosecution	6

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## Investigations

### Closed Investigations Resulting in Administrative Actions Only

April 1, 2014 – September 30, 2014

Case type	Allegation	Number
Aviation	Aiming a laser pointer at an aircraft	1
Aviation	Certificate fraud, medical by airman	1
Aviation	Certificate fraud, repair station	1
Employee	Abuse of authority	1
Employee	Assault/Threat	1
Employee	Ethics violation (misconduct)	2
Employee	Misuse of Government property or funds	1
Employee	Other	1
Employee	Purchase card misuse	1
Employee	Time-and-attendance fraud	1
Employee	Violation of law, rule or regulation	1
Grant	Anti-trust, bid bigging/collusion	1
Grant	Buy America Act violation	1
Grant	DBE fraud	1
Grant	DBE pass-through fraud	2
Grant	False claims	2
Grant	False statements/Certifications/Claims	1
Grant	NHTSA Sustained Traffic Enforcement Program grant fraud	1
Grant	Overbilling	2
Grant	Product substitution/Substandard work or materials	1
Hazmat	Carriage by motor vehicle/public highway	1
Motor carrier	Fraudulent registration filings (reincarnated carriers)	2
Transportation safety	Drug and alcohol program violation	1
	<b>Total</b>	<b>28</b>



## Investigations

### Closed Investigations With Allegations Unsubstantiated and/or Declined for Prosecution With No Other Action Taken

April 1, 2014 – September 30, 2014

Case type	Allegation	Number
Grant	DBE pass-through fraud	2
Grant	False statements	1
Grant	Overbilling	1
Grant	Product substitution/Substandard work or materials	1
Grant	Public corruption/Extortion	1
Motor carrier	Equipment inspection, repair, maintenance	1
Motor carrier	Log books falsification	1
Procurement	False statements	1
Procurement	Public corruption/Extortion	1
Other	Theft of DOT funds or property	1
	<b>Total</b>	<b>11</b>

## Investigations

# Profile of All Pending Investigations by Case Type

As of September 30, 2014

	Number of Investigations	Aviation Safety	Hazmat	Motor Carrier	Transportation Safety	Grant Fraud	Procurement Fraud	Workforce Protection	Employee Integrity	Other <sup>a</sup>
FAA	115	57	8	0	0	17	1	0	30	2
FHWA	113	0	0	0	0	98	1	10	4	0
FMCSA	105	0	14	58	1	0	0	26	6	0
FRA	4	0	0	0	1	2	0	0	0	1
FTA	47	0	0	0	0	37	2	6	2	0
MARAD	6	0	0	0	0	0	2	0	4	0
NHTSA	11	0	0	0	3	7	1	0	0	0
OIG	0	0	0	0	0	0	0	0	0	0
OST	3	0	0	0	1	0	1	1	0	0
Other OIG	1	0	0	0	0	0	0	0	0	1
PHMSA	37	0	36	0	0	0	0	0	1	0
RITA	5	0	0	0	0	2	1	0	2	0
<b>Totals</b>	<b>447</b>	<b>57</b>	<b>58</b>	<b>58</b>	<b>6</b>	<b>163</b>	<b>9</b>	<b>43</b>	<b>49</b>	<b>4</b>
<b>Percentage</b>	<b>100%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>1%</b>	<b>36%</b>	<b>2%</b>	<b>10%</b>	<b>11%</b>	<b>1%</b>

<sup>a</sup> Includes computer intrusion cases

# PEER REVIEW

OIG's auditing and investigations functions are subject to peer reviews in accordance with Government Auditing Standards and the Attorney General Guidelines for Federal Office of Inspectors General with statutory law enforcement authority. These peer reviews provide a formal, objective assessment of OIG's adherence to prescribed standards, regulations, and legislation.



# PEER REVIEW

OIG was not the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period.

OIG's Office of Audits was the subject of a CIGIE peer review by DOD OIG in fiscal year 2013—the most recent review conducted. DOD OIG concluded that the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, DOD OIG provided a “pass” rating, and no recommendations were made. The report was released on August 8, 2013.

OIG's Office of Investigations was the subject of a CIGIE peer review during fiscal year 2012 by the Department of the Treasury OIG. Treasury OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with quality standards established by CIGIE and Attorney General guidelines, and no recommendations were made. The report was released on August 30, 2012.

For the reports of the peer reviews conducted on our office, go to [www.oig.dot.gov/peer-review](http://www.oig.dot.gov/peer-review).

# MISSION AND ORGANIZATION

The Office of Inspector General is committed to fulfilling its statutory responsibilities and supporting Congress, the Secretary, Department leadership, and the public in achieving a safe, efficient, and effective transportation system.



# MISSION AND ORGANIZATION

The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978. The act sets several goals for OIG:

- To conduct or supervise objective audits and investigations of the Department's programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting the Department and make recommendations about them;
- To keep the Secretary of Transportation and Congress fully informed about problems in departmental programs and operations.

The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior Department officials, and the general public in achieving a safe, efficient, and effective transportation system. OIG's audits and investigations offices and three support offices work together to fulfill its mission:

- **The Office of the Principal Assistant Inspector General for Auditing and Evaluation** supervises and conducts all audit activities related to DOT programs and operations through its four suboffices: Aviation; Surface Transportation;

Financial and Information Technology; and Acquisition and Procurement.

- **The Office of the Principal Assistant Inspector General for Investigations** supervises and conducts OIG investigative activities related to DOT programs and operations through its Headquarters and seven major regional offices. The Headquarters office conducts nationwide special investigations and analyses as well as manages the OIG Hotline Complaint Center and activities generated by complaints.
- **The Office of the Assistant Inspector General for Legal, Legislative, and External Affairs** provides a full range of professional legal services and advice, facilitates communications with Congress, and manages public and external affairs.
- **The Office of the Assistant Inspector General for Administration** is divided into four suboffices: the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.
- **The Office of Quality Assurance Reviews and Internal Affairs**, under the direction of the Deputy Inspector General, ensures that internal operations and functions are performed objectively and in an efficient and effective manner.

# ORGANIZATIONAL CHART

## Inspector General

### Deputy Inspector General

- Chief of Staff
- Director, Quality Assurance Reviews and Internal Affairs

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**Principal Assistant  
Inspector General  
for Investigations**

**Deputy Assistant  
Inspector General for  
Investigations**

**Principal Assistant  
Inspector General for  
Auditing and Evaluation**

**Deputy Principal Assistant  
Inspector General for Auditing  
and Evaluation**

**Assistant Inspector General for  
Aviation Audits**

**Assistant Inspector General  
for Financial and Information  
Technology Audits**

**Assistant Inspectors General for  
Surface Transportation Audits**

**Assistant Inspector General for  
Acquisition and Procurement  
Audits**

**Assistant Inspector  
General for  
Administration**

**Assistant Inspector  
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U.S. Department  
of Transportation

**Office of  
Inspector General**

To report fraud, waste, or abuse  
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**1-800-424-9071**

**[hotline@oig.dot.gov](mailto:hotline@oig.dot.gov)**